



## Precious Metals Weekly

19 March 2009

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### Highlights

- **A rollercoaster? Nothing compared to gold two days ago** - Some precious metals with wild fluctuations, others in the doldrums.
- **Gold avoids collapse in very last second** - Fed unintendedly comes to rescue with fresh trillion dollar liquidity injection. Prior to that the yellow metal had already broken several support points on the charts. Traders nerves on edge as gold first loses 40 dollars and then rises 60 again, all within a few hours.
- **Silver - as (almost) always follows gold** - But this time volatility seemed not to be as extreme as in gold. Trading Range \$ 12 - \$ 13.50 still intact. Penoles declares force majeure as result of the refinery strike. No impact on prices so far.
- **Platinum falls and rises with gold** – Higher car sales in Germany can't turn the tide towards a higher global metal consumption.
- **Palladium relatively quiet** - Stillwater suffers from lower price, production lower.
- **"Minor" PGMs still relatively quiet** - Rhodium slightly lower, Iridium a fraction higher.

The next edition of our Precious Metals Weekly is planned for the 30th March.

## Platinum

All prices for the period from 9 March to 19 March

PT	US\$/oz	€/oz	€/gram
High	1,075.00	851.00	27.36
Low	1,033.00	768.00	24.69
Latest	1,063.00	784.00	25.21

The past ten days were a relatively news-less period for platinum. There were no worth-mentioning figures for new automobile registrations, even though the most recent measures by the US FED (see chapter on gold) could perhaps be interpreted as having a potentially positive effect on the economy and as such also be beneficial for the automobile industry.

Meanwhile some other nations (e.g. Japan and Great Britain) are now also thinking about a "wreckage" bonus for old cars along similar lines as Germany. Here in the country, the program - after some initial hesitations - seem to be giving now a lot of support to the automobile market, even if only for vehicle- and engine-types that are not really using the highest pgm loadings in their catalyts. Given the more than 250.000 applications for the bonus received so far, the positive effect should nonetheless continue at least into spring this year and then, provided an improvement in the general economic environment, an additional push might come from a revived demand for company-cars.

This would be very much welcome by the platinum metal producers. Meanwhile they for the moment are doing their bit to prevent the prices from collapsing by cutting down on production.

The platinum price did well in the past ten days to stay above the \$ 1,000 an ounce mark, even if it recorded this reporting period's high of \$ 1,075 already very early in

this period. The platinum price then followed the other major precious metals, as well as the oil price, and lost ground before later recovering to \$ 1,060 an ounce.

The last two days were initially marked by a period of weakness whereby, unlike gold, and though the white metal fell down to \$ 1,033 an ounce, it did not record any fresh lows for the reporting period.

Subsequently, with gold's phenomenal rise, platinum then traded up into the sixties, however it initially could not break through the strong chart resistance which was sitting there. Should it manage to breach this resistance then the path to test at least the March high of just above \$ 1,090 an ounce seems free.

As far as the medium and long term developments are concerned, market observers are at best reservedly optimistic.

JP Morgans analysts this week raised their average price projection for 2009 from the rather pessimistic \$ 875 to \$ 981 an ounce but at the same time pointed at the large problems the metal-consuming industries are facing.

Analysts from CPM, a US research company, also pointed to weak demand and concluded that, at least initially, the price retracing down even to \$ 750 an ounce cannot be ruled out. Medium term CPM then sees prices recovering to peak out at around \$ 1,100 an ounce.

## Palladium

PD	US\$/oz	€/oz	€/gram
High	200.00	159.00	5.11
Low	191.00	141.50	4.55
Latest	195.00	145.00	4.66

Unaffected by the storm palladium traded relatively quietly in the last ten days as it oscillated between \$ 192 an ounce and \$ 200 an ounce. And a dramatic change in situation is not to be expected.

The largest primary palladium producer Stillwater Mining this week announced a loss of \$ 113 million for its last financial year. Compared to that in 2007 the loss was only \$ 15.5 million.

Stillwater has two mining concessions in Montana, USA and last year produced about 500,000 ounces of palladium and platinum;

in the previous year production was 40,000 ounces more. CEO Frank McAllister said that a lower metal-content in the ore was the reason for the lower production. During his presentation of the latest results McAllister pointed also out that though at the moment this does not appear necessary, the company may in future have to cut down some production in order to preserve cash.

## Rhodium, Iridium, Ruthenium

Relative to the moves in gold, silver and platinum the "minor" platinum-group-metals remained calm in the past ten days.

The international automobile market's continuing misery accounted for slight losses in rhodium as the metal traded lower at \$ 1,050 - \$ 1,150 an ounce. Here also, as in the case of palladium, a quick recovery is not in sight. Should however the global automobile mar-

ket pick-up one day, rhodium should, not only percentage-wise but also in absolute terms, record the biggest gains amongst the precious metals.

No change in ruthenium which continued to trade at \$ 50 - \$ 80 an ounce. Iridium on the other hand was slightly firmer at \$ 375 - \$ 425 an ounce.

## Gold

Even for the veteran gold traders who have seen quite a bit in their career, yesterday will certainly remain in memory for a long time to come. Once gold had broken through the important support level of \$ 906 an ounce it found itself in a free-fall. Then, after NYMEX close the US central bank FED announced that it would be pumping in another 1 trillion dollars into the market via a purchase of treasury bonds. Analysts warned that flooding the financial markets with more liquidity could, at least in the medium term, increase the inflation risk – factually, through its purchase of treasury bonds, the FED had cranked up its printing-press. The investors also saw it this way and looked towards the yellow metal as a recluse. Within an hour the metal jumped \$ 60 to \$ 945.50 an ounce – it's highest since early March. It found further support from a fast eroding US-dollar as the Euro moved quickly from 1.30 to above 1.35. The rate moves yesterday evening outdid all others of the past ten days. Seen on its own, gold was already then very volatile as it initially fell from \$ 940 an ounce to \$ 894 an ounce and then temporarily recovered to \$ 934 an ounce.

The early losses were on the on the back of the still relatively high volume of scrap-gold finding its way to the market and at the same time the slowing down of investor demand. This latter reappeared with vigour in the past two days and started a fresh demand-wave (not only) at the largest Gold-ETF (SPDR Gold Trust). The total volume invested in this product has now reached 1,084.33 tonnes; the investors in this ETF alone now hold more gold than the Swiss National Bank.

Whether the private investors in Germany will react to last night's announcement from the USA in a similar manner – and again increasingly start buying physical gold bars – could not be determined by their behaviour so far this morning. In the first few days of this reporting period, like ETFs, this demand had ebbed out to some extent. The production-driven waiting period for delivery of bars has therefore eased a bit in the recent past, with the 1 kilo bar now available even for prompt delivery. On the jewellery and industrial side of things, a more dependable source of demand under normal circumstances, there is not much positive hap-

## Silver

Relative to the dramatic moves in gold, silver this time took the role of a spectator. In the last ten days the price fluctuated between \$ 13.33 an ounce and \$ 12.50 an ounce. The white metal followed gold down in its initial collapse and broke through the first support of \$ 12.48 an ounce. It was probably only a coincidence in form of the US FED's measures that the stopped the fall

pening. In this regard the observation of GFMS's analysts that Turkey, usually one of the largest importers of the yellow metal, has of late become a net exporter fits in well with the state of affairs. In the run-up to the Italian jewellery fair in Arezzo it was pointed out that Italian jewellery exports fell by 8.3 per cent in 2008 to Euro 4.4 billion. Simultaneously 2.3 per cent of the jewellers threw in the towel.

As far as the immediate outlook is concerned, we do not expect yesterday's rally to continue unabatedly, especially so as sales of scrap-gold in Asia should increase again. Charts are currently not giving a very clear picture as to where the metal could be headed and the fundamentals are also not showing any new price-supporting factors. At the moment it appears most likely that gold will remain within the trading range seen in the past ten days. Longer term we remain positive and do not rule out fresh historic highs in the coming months.

In South Africa this week an extra-ordinary era came to an end: the meanwhile in London registered mining giant Anglo American announced that it would be selling its remaining 11.3 per cent share in AngloGold to a US investment fund.

Established in 1917 by the legendary Ernest Oppenheimer the Anglo had over the years become a broad-based multinational corporation before realigning itself back to its core mining business. And now has no interest left in its roots: the gold market. Anglo American actually started by producing gold in the East-Rand area. Later the company concentrated on mines in the Free State and Val Reefs, and success here made it the largest gold producer in the world after the Second World War. In 1998 Anglo America had already initiated its farewell from gold when activities of its gold subsidiary, known as AngloGold, were spun off. In 2004 AngloGold merged with Ashanti Goldfields Corporation to become AngloGold Ashanti, at that time with Anglo American just about holding a controlling interest of 51 per cent in the gold producer. This week Anglo American's remaining shares in what is now the third largest gold producer were sold for around \$ 1.28 billion to the New York based investment company John Paulson. Paulson, who also owns over 4 per cent of gold producer Kinross, is now the second largest shareholder in AngloGold.

then at the next support level from which the metal quickly recovered back to \$ 12.87 an ounce. For the coming days we expect the metal to trade between \$ 12 an ounce and \$ 13,50 an ounce. Presently lower production (due to the continuing strike in Mexico) is being met by generally lower, albeit still present, investor demand and a continually weak industrial consumption.

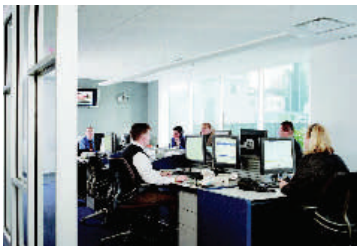
AU	US\$/oz	€/oz	€/gram
High	945.00	755.50	24.29
Low	883.00	664.00	21.35
Latest	939.00	690.00	22.18

AG	US\$/oz	€/oz	€/kilo
High	13.39	10.54	338.87
Low	11.90	8.95	287.75
Latest	12.90	9.50	305.43

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