

Precious Metals Weekly

20 April 2007

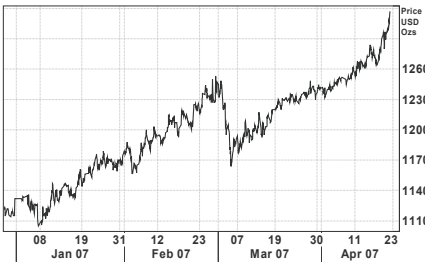
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Highlights

- **Precious metals with further gains** - Platinum and palladium flying high
- **Gold rises to \$690** - Chances for reaching \$700 seen rising, but metal takes its time as euro and oil support the rise, but seem not immune to set-backs.
- **Silver above \$14** - Once again following gold, industrial demand rising strongly every time the metal falls back.
- **Platinum on the way to all time high?** - Price explodes after plans for ETFs on platinum are published, mines oppose those products.
- **Palladium with more gains** - Possible ETF-plans supports it too.
- **Rhodium stalls** - Small set-back after reaching \$6,500; ruthenium and iridium again slightly weaker.

Platinum

PT	US\$/oz	€/oz	€/gram
High	1,315.00	966.00	31.06
Low	1,263.75	931.50	29.95
Latest	1,315.00	966.00	31.06



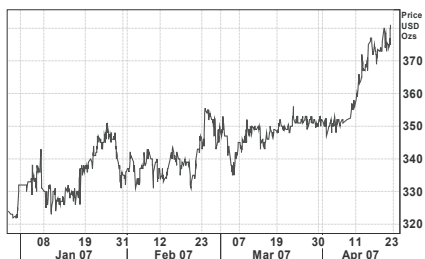
Platinum prices rose this week to the highest level since last November after news came out that Switzerland's Zürcher Kantonalbank and London-based ETF Securities plan to launch exchange-traded funds (ETFs) on platinum, palladium and silver.

ZKB said in that context that it has already built stocks of all three metals in response to strong domestic and international investor interest in the proposed funds. Nonetheless platinum interest rates reacted positive to the news, this morning they reached for a one-year lease the dollar interest rate level.

While the sales of 70,000 ounces planned by ZKB might have been absorbed by the market with relative ease, the intended doubling of that number as a result of the London-listed product starts to cause at least some concern. The combined number represents more than two percent of the global production and that in a market with already very robust fundamentals, which have underpinned prices in the last years. It has to be very closely watched now, whether attempts to issue a platinum-ETF in the U.S. are revived. In this case dramatic implications for the platinum price and interest rates could be the result. One should not forget that ETFs on gold and silver attracted sales of as much as 20 percent of a yearly production. And unlike in the cases of gold and silver there are no bigger above-ground stocks of platinum available.

That is probably one of the main reasons, why the world's two largest platinum producers have this week, not for the first time, voiced their opposition to the planned launch of any platinum ETF. Anglo Platinum said that such funds would put upward pressure on prices and would have a negative impact on jewellery demand. The massive and largely successful efforts to substitute palladium in the electronics industry after the price skyrocketed to \$1,100 in 2001 could serve as a warning example.

ZKB said according to a Platts report that the bank was only creating market instruments that would answer the needs of financial



PD	US\$/oz	€/oz	€/gram
High	381.25	280.50	9.02
Low	369.00	272.50	8.76
Latest	379.00	279.25	8.98

Palladium

After the recent break-out from its months-old trading range, palladium gained more ground during the course of this week. The late rally in the US-market last Friday brought prices up to \$375 an ounce. On Monday in Japan the metal started even higher at around \$377. This phase with strong prices was followed by a period with slightly weaker rates that brought the week's low on Tuesday to \$369.

The market turned around again, when traders started to focus more on the fact that not only the listing of a platinum-ETF was planned by ZKB, but also one for palladium

investors and also allow physical delivery if required by consumers.

Last November, rumours of a platinum ETF launch drove the price to a record level \$1,400 a troy ounce and speculative interest has already been growing in recent weeks. The latest data from the Commodity Futures Trading Commission showed that hedge funds have increased their long position in platinum to the highest level since early 2006.

With the platinum now trading at \$1,315 an ounce, we cannot rule out that the price rises further to \$1,350 it's first target. Above that the all time high at \$1,400, reached last November would be the next important level. All in all the market seems to very well supported and any bigger setback should be used by industrial end-users to buy future needs on a forward basis.

According to a Reuters report, Norilsk Nickel, Russia's biggest platinum group metals producer, said on Monday that it is honouring all platinum and rhodium supply contracts despite a delay in securing export licences for 2007.

Russia removed precious metals export quotas in January but retained legislation requiring exporters to obtain a licence from the Economy Ministry. Norilsk does not have licences for rhodium and platinum, which are both trading not too far from their all-time highs.

Norilsk has a 10-year quota effective until 2008 to export palladium of which it is the world's top producer. The company has said it does not expect problems with palladium exports.

But licences to export other platinum group metals have yet to be obtained. Permits to export those are still being processed by the Economy Ministry.

There were some reports again about South African junior miners, links to some of them can be found in the link section on page 4 of this report.

with a planned volume of 200,000 ounces for the first year.

This and the fact that the platinum price was storming apparently with ease above \$1,300 an ounce, later led to a surge of the palladium value to \$381.25 and thus to the highest level since May 2006. At that time the metal had reached \$407 an ounce and this number remains the initial price target on the up-side in the current situation as well.

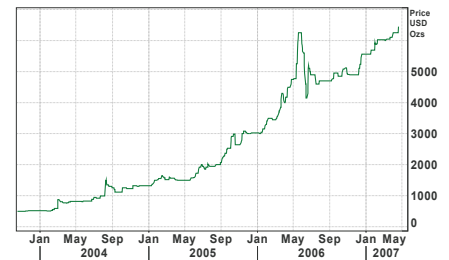
Despite the price rise and the looming ETF, the interest rates for palladium didn't react, most likely a result of the still high stocks.

Rhodium, Ruthenium, Iridium

Light trade selling put some pressure on the rhodium price this week. From the 17-year-high seen last week at \$6,500 an ounce, the price fell slightly and the metal is trading now at \$6,425 an ounce. We do not regard this dip as the starting point of a turnaround and would therefore recommend to industrial end-users to try and buy the metal on an order basis and roll any purchased forward.

Traders still try to unload some ruthenium and for the first time in weeks there are signs of at least some industrial demand returning to the market. Prices might finally find a bottom on the current level of \$525 - \$625.

Iridium is nearly unchanged from last week, trading currently at \$420 - \$460 an ounce.



Gold

Another wave of dollar-selling late last Friday brought additional tailwinds for the yellow metal. As a result it finally broke out of the old \$650 - \$680 range and rose to nearly \$686 before the closing bell in New York.

On Monday the metal started unchanged, but then a two-dollar-drop of the oil price triggered some selling on the metals market as well. The gold price fell back to \$682, but when the oil recovered later and as at the same time the dollar continued its downward trend, the gold price rose above \$690 an ounce. For the next few days it hovered in a five-dollar range between \$686 and \$691, the latter was the highest level since May last year, when the metal traded briefly to a 26-year peak at \$730 an ounce.

The inability of the gold price to break through the psychologically important \$700-mark and the crashing equity prices in China on Thursday triggered some profit-taking also on the gold market, driving the price down to \$678.60 an ounce again. At this level bargain hunters stepped on the scene and within hours the price went back to \$685, where it is trading this Friday morning.

Despite yesterday's set-back the metal remains at the moment in an up-trend, but a healthy level of cautiousness that prevents the market from overheating for the time being prevails at the same time, making it difficult to pass the \$700-mark with flying colours.

Initially the market has to defend the \$675-mark, should it be unable to do so, the value

of the metal could fall back as far as \$660 in a first stage. On the up-side it has to break first this week's high and then of course the \$700-landmark in order to turn the overall picture even rosier.

Bullion traders in Germany report about a relatively good demand in form of bars and coins, however we have observed this week a strong inflow of scrap, which, on balance, certainly more than neutralises the sales seen elsewhere.

This week the central bank of Qatar announced that its gold holdings rose more than five times in the first two months of this year. The absolute numbers are however still very small. Even after the purchases the central bank owns only slightly more than three tons of gold, and the metal still forms only a tiny part of the central bank's reserve portfolio. Last year Qatar announced that it wanted to diversify its foreign exchange reserves away from the weakening dollar.

There was no news on potential gold sales by the IMF. There are internal and external proposals that the Fund should sell gold in order to finance future deficits. IMF head Rato said at a news conference last Saturday that if gold is sold, it would be done in a "measured way". British finance minister Gordon Brown (himself under increasing pressure for the Bank of England gold sales in the years 1999—2002) said in that context that more countries were now accepting the possibility of IMF gold sales.

AU	US\$/oz	€/oz	€/gram
High	691.00	510.50	16.41
Low	678.60	499.40	16.06
Latest	685.25	504.00	16.20



Silver

Silver traded largely in line with the gold price, rising last Friday to \$14.08 an ounce. While it managed to break with that the psychologically important \$14-level, it was unable to gain enough momentum to reach the upper end of the current upwards trend channel at \$14.20 an ounce. The market began on Monday close to the high seen prior to the weekend, but when the gold price started to slide on Monday afternoon, silver fell quickly back to \$13.80. It later recovered, but it was never able to convincingly leave the \$14-landmark behind. The

crash of the gold price on Thursday triggered profit taking in silver too, the market traded quickly some four percent lower, exceeding the losses of the gold price considerably. As a result of the losses we have observed on Thursday a strong increase in physical demand and also a recovery of the price.

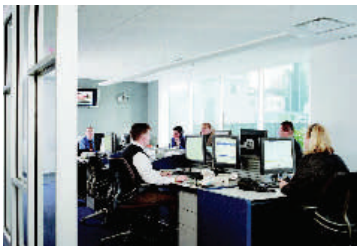
While the platinum price saw considerable gains on the back of news about a Swiss-listed platinum ETF, the silver market largely ignored the reports that a silver ETF would be issued as well.

AG	US\$/oz	€/oz	€/kilo
High	14.08	10.41	335.33
Low	13.55	9.97	312.18
Latest	13.75	10.14	330.19

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