Heraeus

Precious Metals Weekly

31 March 2009

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Highlights

- **Precious metals at first rallied –** but only platinum metals managed to hold onto some of these gains.
- **Gold almost touched $ 970 –** Fresh records in ETF positions, but India is now an exporter. Chinese production continues to climb.
- **Silver intermittently at 4 week high –** Another strike in the mining industry at Hochschild in Peru lasts only a few days. No effect of lower supplies as industrial demand still depressed.
- **Platinum fans put hope in Obama's initiatives –** And they are thereby perhaps a bit too optimistic as Japanese car exports see another dramatic downturn. Despite this news, price rises to highest since September before correcting.
- **Palladium gains significantly –** Dealers report good demand from Asia.
- **The „minors" relatively calm –** Rhodium $ 50 higher, iridium and ruthenium unchanged.

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

Platinum

All prices for the period from 19 March to 31 March

PT	US$/oz	€/oz	€/gram
High	*1,159.00*	*860.00*	*27.65*
Low	*1,044.00*	*773.00*	*24.85*
Latest	*1,128.00*	*853.00*	*27.42*

In contrast to gold, which was significantly higher at the time of our previous report and silver that traded at current levels, both the major platinum metals recorded good gains. Platinum was last trading at $ 1,120 an ounce – up $ 50 from ten days ago – having in the interim traded as high as $ 1,160 an ounce; it's highest since end September.

Responsible for the gains was the speculators and investors hope of a turnaround in the global economic situation. The buyers were relying on the surprisingly good figures from the US economy (home-sales and durable goods) as well as the US governments plan to buy up "toxic assets" worth USD 1 trillion from the banks. This latter is to support the financial system that continues to hinder economic recovery, the US Finance Ministry in Washington said.

Eventually platinum could not defend it's gains and with this perhaps some reality also came back into the situation: after all industrial demand has so far remained very subdued. This morning the Japanese Automobile Manufacturing Association announced for example that production in February had crashed down by 56 per cent. This collapse was even more than the 41 per cent minus recorded in January.

As all other platinum consuming industries are also having a difficult time at the moment (who builds new oil refineries, glass troughs or chemical plants in the present economic climate?), platinum's hopes are resting primarily on the Chinese market which for quite sometime has been importing increasing volumes of the metal. At least some of these imports should be earmarked for the local automobile industry, reflecting recently increased demand from this sector. Stable automobile sales and also new emissions regulations (e.g. for motorcycles) could be playing a role here.

Generally less optimistic is the CEO of Lonmin, South Africa's third largest platinum producer. Ian Farmer said in an interview on Friday that the hope of a balanced platinum market this year is probably deceptive. Reason for this being that production will not fall as quickly as the demand for the white metal. Production at Lonmin in the last quarter was however significantly lower than in previous year; at 133,000 ounces platinum (and 243,000 ounces platinum metals totally) the company shed 14 per cent of its output. Farmer added that already at a price of $ 1,000 an ounce one-fourth of South African production becomes unprofitable.

Longer-term charts at the moment not a great assistance in trying to forecast the next movements of the platinum price. One explanation for this is the extreme volatility seen in the past 15 months which does not allow for any meaningful conclusions.

On the short-term charts there is however support at $ 1,100 level (just below current spot prices) and then again at $ 1,080 an ounce. We do not rule out that the next move could be southbound. And in our opinion not until $ 1,030 an ounce do interesting opportunities for industrial end-users arise.

Palladium

PD	US$/oz	€/oz	€/gram
High	*226.50*	*167.00*	*5.37*
Low	*191.00*	*141.50*	*4.55*
Latest	*213.00*	*161.00*	*5.18*

In the last ten days palladium showed a surprisingly positive move for these troubled times. The white metal rose till last Thursday, partly driven by hopes for a trend change in automobile sales in the USA, to $ 227 an ounce. By climbing that high, palladium breached it's high from middle February but was still quite a way from it's early November high of $ 235 an ounce. While speculative buying last week certainly came mainly from American participants, dealers also reported Japanese buying.

In the end, the metal could not hold onto all it's gains and lost ground hitting $ 214 an ounce again; that is still a plus of 10 per cent compared to the price at the time of our previous report.

Rhodium, Iridium, Ruthenium

Amongst the three minor platinum group metals, it was rhodium that attracted some attention in the last ten days. As there was good 'two-way interest' (with both buyers and sellers present) the price of the most expensive precious metal moved more or less side-wards. This morning the metal was trading at $ 1,100 - $ 1,200 an ounce; only $ 50 an ounce more than at the time of our previous report.

There was no change in rhodium's two sister metals; ruthenium continues to trade at $ 50 - $ 80 an ounce and iridium changing hands at $ 375 - $ 425 an ounce.

Gold

In the past ten days the gold price at times recorded significant gains but in the end could not hold onto them. Yesterday midday the metal was temporarily trading down at around $ 913 an ounce; almost 3 per cent off its level from ten days ago.

Initially such a loss looked highly improbable as the yellow metal at first continued its explosive rally of two Wednesday's ago and shot back then up to $ 967 an ounce; it's highest level for about a month.

The announcement of the US governments draft plan of taking over "toxic assets" worth 1 trillion dollars brought then some optimism amongst the investors in the first three days of last week as they hoped for a possible recovery of the economy. This was reflected in stock exchanges recording substantial gains and that partly, though not only, was the cause of gold booking significant losses. The metal fell last Wednesday to $ 916 an ounce, with reports of rising new US home-sales contributing to the slide.

With an eye on the climbing oil price which touched almost $ 55 a barrel, bargain hunters then joined the fray and pushed gold up to above $ 940 an ounce. However in the end this recovery turned out like a very dry hay-fire and just before the weekend the price temporarily reached the aforementioned level of $ 913 an ounce before flooring and then regaining some lost ground later yesterday.

In this reporting period the yellow metal suffered from a slightly reduced ETF demand. Though the investor's positions in the most important Gold-ETF, the SPDR Gold Trust, reached a new record of 1,127.44 tonnes, compared to the massive jump in the previous reporting period the gain in this period was relatively small. On the other hand demand for investment bars, at least in middle Europe, remained robust. Other than the 1 kilo bars, delivery periods for all other denominations continue to remain extended.

On the supply side there were reports of further increased production in China. As per the Ministry of Industry total outturn this year is expected at 290 tonnes. Compared to 2008 this would mean a plus of ca. 3 per cent. As per the current plan the identified underground gold reserves are expected to go up by 800 tonnes this year as well. End of last year these reserves stood at 4,634 tonnes. As such the currently largest gold producer in the world has only the 7th largest unmined reserves at its disposal.

Supply of scrap gold in Asia as well as in Europe slowed down a bit in the last few days. However a special report by Reuters news agency last week put an irritating light on the Indian market: from there a correspondent reported that due to high scrap gold supply in February and most likely in March too, India had become a net gold exporter. Given that traditionally India has by a good margin been the largest buyer of physical gold, the situation does beg the question as to what would have happened to the price of gold had it not been supported the way it has been by ETF- and physical bars-demand.

In the coming days we now expect gold to trade in a range between $ 900 and $ 950 an ounce. On the charts a triangular formation has built up in the past few weeks which will be keenly watched by traders and, if the metal breaks through at either end, then this would send a strong signal about the direction the metal could take in the foreseeable short-term.

AU	US$/oz	€/oz	€/gram
High	*967.00*	*709.00*	*22.81*
Low	*907.00*	*675.00*	*21.70*
Latest	*918.00*	*694.00*	*22.31*

Silver

Following the general trend in precious metals, silver was able to continue with its rally, which started just prior to our last report. On 19th March, after some initial hesitation between $ 12.60 and $ 12.90 an ounce, the metal moved quickly moved then quickly up to $ 13.70 an ounce.

The following day it added even more value as is climbed up to $ 13.90 an ounce; it's highest in four weeks.

The marked retracement of the gold price middle of last week had an negative effect on silver too. The white metal fell almost 5 per cent to just above $ 13 an ounce, however then on Thursday it turned around to recover again to $ 13.70 an ounce. This gain was as short lived as the preceding loss and the metal went into the weekend at $ 13.30 an ounce.

Contrary to the opportunistic speculators, who normally quickly adjust their opinion to the moves of the market, the longer-term oriented investors have remained faithful to the white metal: this is reflected not only in the continual demand for silver bars in middle Europe, but also in the new record invested at the most important silver ETF as per last Thursday. Physical silver holdings backing the iShares Silver Trust increased on a single day by 166 tonnes to a total of 8,180.46 tonnes. This volume represents about 40 per cent of global annual production. On the futures markets such an amount would have been an alarming situation, but in the hands of the (more long-term oriented) ETF-buyers a quick liquidation of their positions is rather improbable and as such not an acute danger for the silver price.

As for the outlook for silver, the metal continues to find itself in a wide trading range between $ 12.50 and $ 14 an ounce. A quick breakout of this range appears improbable at

AG	US$/oz	€/oz	€/kilo
High	*13.39*	*10.24*	*329.20*
Low	*12.63*	*9.36*	*300.90*
Latest	*13.10*	*9.90*	*318.30*

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The strikes hitting miners in the past days, the longer one at Penoles in Mexico and a second, more recent one at four major Hochschild mines in Peru, should not change this somewhat neutral picture significantly. Only in a period of good industrial demand the situation would certainly have been different. But, like in the case of the platinum group metals, there are at the moment no signs of such a jump in demand on the horizon.

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On the Net

- PGMs - Braemore Resources warns of wider H1 loss, shares fall
- Pt - Aquarius Platinum shares surge on fund raising plans
- And no PGMs (!) - The car of the future with the 'wow' factor (?!)
- PGMs - Japan automakers report plunging sales
- Au - AngloGold Ashanti sees Tanzania gold output up in 2009
- Au - Russia backs return to Gold Standard to solve financial crisis
- Au - Gold to bring in 75% of Franco-Nevada revenue by Q3
- Au - 3 more tonnes p.a., Lake Shore Gold starts ore processing at Timmins Mine
- Au - Central banks look again at bullion sales pact
- Au - IMF gold sales expected to be on G20 agenda
- Ag - Gold and silver miner Hochschild swings to annual loss
- Ag - Endeavour Silver forecasts 20% output growth this year
- China - China promotes overhaul of global monetary system
- South Africa - BHP Billiton, Gold Fields, Sasol: South Africa equity preview
- Economy - U.S. recession seen not yet bottoming
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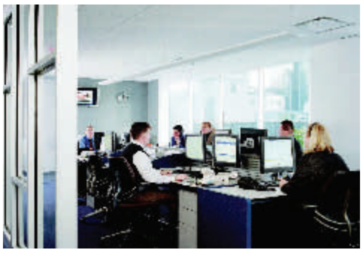

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