

Precious metals failed to ignite investors this week:

The only notable exception was iridium that is used also in spark plugs.

## Precious Metals Weekly

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

### Highlights

- **Precious metals initially falling further** – Considerable losses already before previous weekend, and a small recovery in the last 48 hours.
- **Gold reacts to strengthening dollar by moving downwards** – Demand for investment bars increases again, scrap supplies fall. Price must now hold above \$ 1,026.50.
- **Silver hangs onto gold** – Technical picture not too bright after metal left it's upward trend. As such danger of further losses. Fresh industrial demand gives at least some support.
- **Platinum with losses** – But upward trend is here still intact. ETF and jewellery demand helps, while automobile sales figures in January had been mixed.
- **Palladium follows other precious metals** – And falls to surprisingly low levels. Significant US-ETF demand provides support.
- **Iridium moves up considerably** – Now quoted at \$ 440 an ounce. Ruthenium likewise in positive territory. After its most recent fall, rhodium recovers in the past few days.

## Platinum

All prices for the period from 2nd until 10th Feb. 2010

PT	US\$/oz	€/oz	€/gram
High	1,590.50	1,138.40	36.60
Low	1,444.00	1,061.50	34.13
Latest	1,495.00	1,092.50	35.05

After our previous report at first platinum added to its gains before peaking out on 3rd February at \$ 1,590 an ounce. It then came under unexpectedly severe pressure and within two days lost almost \$ 150. The main cause for the losses - not just in platinum, but other precious metals and for example oil too - was the fresh weakness of the euro and the consequential rally in the US-dollar. At one stage the US currency was trading as high as 1.36 against the European common currency; its' strongest since June of last year.

This week then, with price levels much lower, fresh demand, mainly from China (see below) came in and one stage had moved the price back up to \$ 1,510 an ounce.

### Long term upward trend still intact

The broad upward trend which began in October 2008 is for the moment still intact. Should the metal break out downwards and not be able to hold above the \$ 1,400 an ounce mark, this move will end and presumably this could then force one or the other speculator out of the market. This is insofar relevant as this group of market-participants holds over 50 tonnes of platinum on the futures exchanges TOCOM and NYMEX together; a year ago the comparable volume was only half as much.

### Automotive sales in most markets show growth

January new car registrations in China stood at over 1.6 million vehicles and thus almost doubled compared to previous years comparable period; a new record, according to CAAM (Chinese Association of Automobile Manufacturers). Last month CAAM announced that with 2009 sales of 13.64 million vehicles China had overtaken the USA as the largest automobile market in the world.

After a long slide the US market is now showing more and more signs of a recovery. Sales in January were up 6 per cent compared to similar period previous year. By and large this increase was not entirely unexpected as January 2009 sales were the lowest in the past 26 years. Last month a total of 695,700 new passenger light trucks were sold in the US; the passenger vehicle sales with a plus of 15.4 per cent evened out the decrease in fuel-guzzling SUV and pick-up.

Relative to the automobile markets in China and the USA, the German market lost considerable ground in January. Sales were the lowest for this month since the re-unification of Germany in 1990. With 181,000 new registrations, the number was off by 4.3 per cent compared to the already weak previous years' January, according to the Federal Motor Transport Authority (KBA). After the subsidy-driven artificial boom in 2009 with sales of 3.81 million new vehicles, market

observers expect 2010 German sales to fall to anywhere between 2.75 and 3.0 million vehicles.

At least other countries in Western Europe are showing increased new registrations in January: the consultants at JD Power are forecasting a plus of 14.9 per cent for the previous month; mainly thanks to increases in Spain and France, where the new registrations were still inflated due to the "cash-for-clunker" schemes. In the coming months sales are expected to sink and for the full year JD Power expects Western European sales in the order of 12.4 million vehicles; a minus of 9.1 per cent.

Further bad news came in from Russia where sales in January fell 37 per cent to a mere 74,000 vehicles. 2009 January sales had already halved to previous year and an end to the slide is not in sight at the moment.

### Diesel vehicle sales stabilising

Those booming automobile markets, which - because of their size - play an important role in platinum-metals demand, last month were also those that traditionally preferred the gasoline-engine and provided therefore a chance to car manufacturers to use the four-times cheaper palladium instead of platinum.

As far as the platinum-friendly diesel technology is concerned there was at least some good news: Last month diesels' share in Germany was back up at 40 per cent, which relatively seen should have benefited platinum. The progress is however put into perspective by the trend towards smaller engines.

In 2009 the diesel share in Germany had on average shrunk to a mere 30.6 per cent (in 2008 it was 44.1 per cent). In Europe as a whole the fall was not as significant last year as the diesel share fell "only" 6 to 46 per cent.

### Good Jewellery and ETFs Demand

The white metal will surely survive the rather mixed news from the automobile markets as there was also positive news for it in the last days. Among others due to the Chinese New Year festivities which take off next week, physical demand in China in form of jewellery has been robust. And ETFs added also to their stocks, even though not really on a large scale. In the three main EFT products (one each in Switzerland, England and the USA) 28.4 tonnes are now tied up; that's around 13 per cent of global annual production. However, with the new US ETF trading now for four weeks, this volume is still far from the volumes bound in the different gold and silver ETFs, each of which have volumes equal to around half a years' production.

## Gold

The stronger dollar hit the yellow metal hard and despite the crisis in and around Greece it pulled the metal at one stage down to its lowest since early November.

Among others, this drop in prices rekindled demand for investment bars, at some stage even to the extent that it could in the short-term lead to slightly delayed deliveries of certain denominations. Simultaneously scrap-gold supply dried up at low prices. This reaction was noticed not only here in Germany but our colleagues in Hong Kong also reported,

partly in connection with the coming holidays, increased demand for physical gold with sales of scrap slowing down. As a consequence, after a long time it again became necessary to import gold again to Hong Kong.

For the coming days a lot will depend on the (speculative) direction the dollar takes. Physical demand during the Chinese New Year festival and also thereafter should slow down. The metal will have to hold \$ 1,026.50 an ounce, for otherwise the long-term upward trend could topple.

AU	US\$/oz	€/oz	€/gram
High	1,124.65	803.84	25.84
Low	1,043.75	766.45	24.64
Latest	1,066.30	778.75	25.04

## Silver

By and large the silver price oriented itself to the general precious metals environment, namely, shortly after our previous report the metal recorded considerable losses. It eventually dropped down \$ 14.63 an ounce; its lowest level since September. While physical demand in the form of small investment-bars was more cautious than in the case of gold, industrial demand at these low prices, which were considerably more prominent in euro terms, was very robust. In Germany the price at times fell down towards the euro 350 per kilo mark; a 5 month low in euro terms too.

As far as the outlook is concerned, it is presently difficult to give a prognosis. Short-term the metal could change its trend and move upwards; longer-term the move in the last 10 days has broken the upward trend that was in place since October 2008 and the metal could under certain circumstances even head for the \$ 13 – \$ 13.50 an ounce range. The first indication of which direction the price will take in the coming days could be to wait and see whether the metal can hold itself above last weeks low or not.

AG	US\$/oz	€/oz	€/kilo
High	16.92	12.08	388.30
Low	14.63	10.76	345.80
Latest	15.25	11.07	356.10

## Palladium

In the past ten days palladium could not decouple itself from other precious metals. This led to the metal losing a surprisingly large part of its value in the earlier part of this reporting period. Mainly driven by a strengthening dollar it managed to bottom out only at \$ 380 an ounce last Friday. This low level then provided a good buy-opportunity and in the past few days the metal recovered back to \$ 417 an ounce before correcting mildly downwards to its present level.

Currently the metal finds itself exactly in the middle of the trading range expected for the coming days. Only if it breaks out on either side of the \$ 385 - \$ 425 an ounce range would it set a new trend for the medium-term.

We remain of the opinion that prices below \$ 400 an ounce provide good opportunities for industrial end-users to cover some of their future requirements, for example by considering placing staggered purchase-orders in the spot and forward markets.

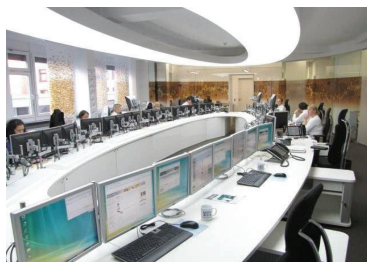
In contrast to the situation in platinum, palladium-ETFs have been doing considerably better: Last week another ton was added to the four-week old US-ETF product and meanwhile almost 50 tonnes of (physical) palladium are now tied up in the worlds' three most important palladium-ETF products. This volume represents about 25 per cent of an annual global production of the metal; a percentage almost twice as much as platinum's.

PD	US\$/oz	€/oz	€/gram
High	446.50	318.85	10.25
Low	379.50	277.50	8.92
Latest	410.00	298.05	9.58

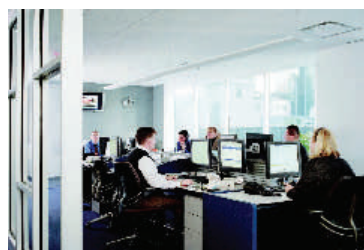
## Rhodium, Iridium, Ruthenium

Initially each of the "minor" platinum-group-metals moved differently, however all three added in value in the last 48 hours. Rhodium lost value in the early part of this reporting period and at times dropped down to \$ 2,350 - \$ 2,400 an ounce. Meanwhile it has recovered somewhat and is again bid at \$ 2,450 an ounce; almost where it was at the time of our previous report. This recovery was mainly due to continued demand from Asia, however this demand should ebb out a bit once the Chinese New Year festivities start coming Monday.

Continual demand from Asia was also responsible for ruthenium - lifting the metal up to \$ 185 an ounce - and for iridium. The metal is finally moving out of its 13 month slumber at around \$ 425 an ounce and went above the \$ 440 an ounce mark; it's highest since December 2008. With this move the metal has closed the gap to it's this decades high of \$ 470 an ounce recorded in September 2008.



**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](mailto:trading@heraeus.com)  
 Web: [www.heraeus-trading.com](http://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](mailto:hpm.sales@heraeus.com)  
 Reuters Dealing: HPMML



**Heraeus Ltd**  
**Room 2112 - 2113, Peninsula Square**  
**18 Sung On Street**  
**Hunghom, Kowloon (Hong Kong)**  
 Tel.: + 852 2773 1733  
 Fax: + 852 2773 1090  
 E-Mail: [tr.hlh@heraeus.com](mailto:tr.hlh@heraeus.com)  
 Web: [www.heraeus.com.hk](http://www.heraeus.com.hk)  
 Reuters Dealing: HLHK



**Heraeus Materials Technology Shanghai Ltd.**  
**1 Guang Zhong Road**  
**Zhuanqiao Town Minhang District**  
**201108 Shanghai**  
 Tel.: + 86 21 3357 5675  
 Fax: + 86 21 3357 5699  
 E-Mail: [linda.hu@heraeus.com](mailto:linda.hu@heraeus.com)  
 Web: [www.heraeus.com](http://www.heraeus.com)

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