Heraeus

Silver swarf, a result of the re-work of silver targets being used for example by the glass industry.

Precious Metals Weekly

23 February 2010

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

Highlights

- **Precious metals initially recover –** but in new week show signs of tiredness.
- **Gold at all-time high in euro –** For € 26,725 you now get only 1 kilo! IMF does not find any central banks who will buy its gold; the open market must make up for it now.
- **Silver at an important (chart) point –** Must hold $ 15.90, otherwise danger of further slide. And that despite investors and industrial end-users buying it.
- **Platinum first moves up - and now sidewards –** Chinese demand after end of New Year festival not yet there again. Impala earnings drop considerably, but miner sees light at the end of the tunnel. Plans of nationalising mines in Zimbabwe a potential problem for the company.
- **Palladium far from this months lows –** But it's currently showing some signs of weakness again. Remains a good buy below $ 400.
- **"Minor" platinum metals look up –** Rhodium gains almost $ 100, ruthenium another $ 5. Iridium climbs to 2008 high of $ 470.

Platinum

All prices for the period from 10. until 23. February 2010

PT	US$/oz	€/oz	€/gram
High	*1,551.50*	*1,135.71*	*36.51*
Low	*1,484.50*	*1,082.25*	*34.80*
Latest	*1,505.00*	*1,115.75*	*35.87*

Platinum, together with other precious metals and commodities, initially added in value in the past two weeks, however without any abrupt price-moves.

The white metal's high for this reporting period was recorded already at the beginning of last week; the main factor behind this was a short-lived recovery of the euro, which touched 1.38 against the US-dollar. The following fall of the euro was also the cause why platinum sank to below the $ 1,500 an ounce mark. However this move too was only temporary and by last Friday the white metal had again recovered to around $ 1,540 an ounce.

As far as further price movements are concerned, a lot will depend on the currency markets in the next days. One reason, among others, is that no new fundamental data (e.g. from the international automotive markets) is due till the first week of March.

Platinum stays within existing trading range

On the whole we expect the metal in the coming days to trade sidewards and to stay in this months trading range, which has so far been between $ 1,444 and $ 1,590 an ounce. Keeping in view the return of the Chinese after their New Years festivities, if at all, then more likely the upper end of this range could be tested. However the first two days have not given any indication of this happening. Yesterday and today the demand, particularly from the jewellery industry in China, has been rather subdued.

Implats hopes for better times

Naturally the mining companies are hoping that demand will come back again in the coming weeks and that they will be spared a repeat of 2009 of having to again report dismal profits. After Anglo Platinum had already reported a 95 per cent fall in headline earnings per share for the full year ending December 2009 (see pertinent link in our previous report), Impala Platinum, the No. 2 amongst platinum producers, followed this week by announcing a 76 per cent minus for the half year to December 2009. Given the fact that platinum price during the whole of 2009 was considerably lower than current levels, results at platinum producers for the present year should turn anyway out to be significantly better.

Apart from the report on drop in earnings, Impala also said that in the last half year (which is the first half of their financial year July – June) in comparison to the previous six months, 2 per cent more platinum was produced. In addition Implats CEO Brown showed disappointment at the latest plans in Zimbabwe to largely nationalise the mining sector within 45 days, starting 1st March. Implats is the largest platinum producer in Zimbabwe and the company's frontman added that he is hopeful that Implats will be able to avoid a forced take-over of a Zimplats majority by the government.

Brown is equally unhappy about plans to substantially increase electricity prices in South Africa. The current plan foresees a 35 per cent increase over the next three years. This would certainly help ease the local supplier Eskom's financial problems, however it would add to producer's woes; Implats alone would have added energy costs to the tune of Rand 80 million (ca. $ 10 million).

Palladium

PD	US$/oz	€/oz	€/gram
High	*446.75*	*326.60*	*10.50*
Low	*408.00*	*295.60*	*9.50*
Latest	*430.00*	*316.00*	*10.16*

Palladium kept step with other precious metals in the last twelve days and reached a peak of $ 446.75 an ounce; it's highest since 3rd February. Only a day after that success it started to collapse though and in the end it dropped down to a mere $ 379.50 an ounce.

The outlook, at least from a chartists' point of view, is very mixed. If the metal does not get above $ 445 an ounce in the near-term (with the next target being then $ 465 an ounce), a test of the support level at $ 400 an ounce gets more and more probable. Should it actually drop this low, industrial end-users should consider placing staggered buy-orders between $ 360 and $ 390 an ounce to cover some of their future demand. Longer-term we remain positive for the metal; the ongoing high demand from China and the increasing needs of the automobile industry in the USA should provide good support for a stable situation in the longer-term.

Rhodium, Iridium, Ruthenium

Each of the three "minor" platinum group metals added value in the last twelve days. Rhodium put on $ 100 to $ 2,550 an ounce once the Chinese were back after their New Year celebrations. Continuing good demand for ruthenium from the electronic sector pushed that metal to $ 190 an ounce.

Iridium again recorded considerable gains and the first trades at $ 470 an ounce (the high of 2008) have already been booked.

Gold

AU	US$/oz	€/oz	€/gram
High	*1,130.65*	*831.25*	*26.73*
Low	*1,063.20*	*778.80*	*25.04*
Latest	*1,105.30*	*815,75*	*26.23*

At the start of this reporting period gold initially continued with it's upward trend and recorded a first, though short-lived months high of $ 1,127 an ounce on 17th February. During this move the metal did for a change not orient itself to the US-dollar as often as it had in the recent past. Instead the US currency strengthened considerably as well and at one stage was trading below the 1.3525 mark against the euro; under "normal" circumstances such a move would have been a negative signal for gold.

That this did not happen was mainly a result of Greece's financial ill-health, which led to a double delight for already invested gold bugs in the euro-zone. On one side the situation in Greece apparently leads to a relatively weak euro and simultaneously there is continuous under-toned demand for gold as a safe haven. Both these factors combined led to the gold price in the Euro-Zone recording a new historic highs (even when considering the period prior to the introduction of the euro): At its peak 1 kilo of gold on 18th February cost € 26.725,-. Two figures to compare: the last official gold fixing at the Frankfurt stock exchange before the euros' introduction was DM 15,500 (€ 7,925) on 30.12.1998 and the "initial" historic high in DM terms on 21.01.1980 was DM 46.530 (€ 23.790).

In the days after recording the new all-time high in euro terms demand for gold bars in Germany was however subdued. Our colleagues from Hong Kong report a similar situation in their market: while, due to the high price, scrap gold sales were up in China, investors and the industry stayed on the sidelines, initially because of the New Year holidays and this week then because of the higher prices.

The central banks also appear to be holding back on their buying in view of the high gold price. In any case the IMF has not been able to sell its remaining 191.3 tonnes of its planned sales to any of the central banks. Because of this the IMF announced on 18th February that it will be selling this quantity in the free market and as it does not want to disrupt the market, the process could take a while. Of the initially planned quantity of 403.3 tonnes, the IMF has so far been able to sell – all of it outside the free market – 200 tonnes to India, 10 tonnes to Sri Lanka and 2 tonnes to Mauritius.

The market reacted to this news, though temporarily, with a higher than expected discount. The price of gold fell quickly from $ 1,124 to $ 1,098 an ounce. However the metal ironed out some of its losses during the course of last week and yesterday morning – this time again coupled with a weak phase of the US-dollar – traded up to a new monthly high of $ 1,130.65 an ounce.

This last move did not have any worthwhile physical demand backing it and the most recent negative economic data from Germany has put fresh pressure on the euro which has lead to the yellow metal losing ground in the past few hours and again testing the $ 1,100 an ounce mark.

As far as the technical short-term picture after today's losses is concerned, gold is not looking very positive. However on the longer-term charts the metal broke last week the downward trend it had been in since the beginning of December. In view of these contradictory signals the gold price could initially end up in a sidewards move in a range between $ 1,095 and $ 1,133 an ounce. Depending on which end of this range the metal finally breaks out, it will give a first indication of the medium-term trend.

Silver

AG	US$/oz	€/oz	€/kilo
High	*16.55*	*12.16*	*390.95*
Low	*15.05*	*11.03*	*354.62*
Latest	*15.92*	*11.72*	*376.81*

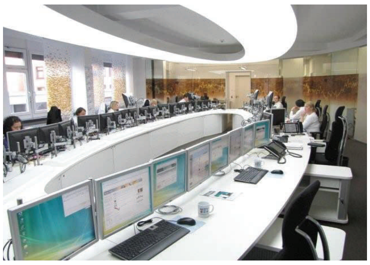
If someone would have put the price charts of silver and gold on top of each other, the curves once again would have looked pretty similar in the past ten days.

However, unlike in the case of gold, investors last week seem to have rediscovered silver again. One sign for that was that the more speculation-oriented investors on the COMEX and also the holders of ETFs added to their already existing long positions. Silvers ETFs for example were up ca. 60 tonnes, while COMEX positions rose slightly more than 70 tonnes.

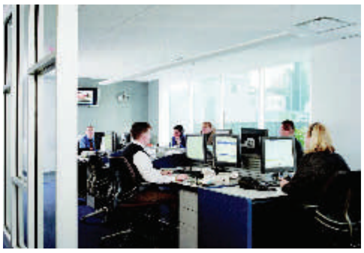
Here in Germany demand for silver investment bars last week, after a longish pause, was again very robust. In some individual cases this actually temporarily lead to extended delivery periods.

And at present it is not just resurfacing investment demand driving the silver value; despite higher prices from the beginning of this month, industrial demand has been very positive too. A combination of reduced industrial stocks as a result of the 2009 recession now meeting increasing demand from end-users is probably the most likely explanation for this. At the moment silver granules are selling like hot cakes and trade even in the inter-bank on the offer side at a premium vis-à-vis the spot price.

As far as the outlook is concerned, silver must hold above the not far away mark of $ 15.90 an ounce. Failing here would break the upward trend in which the metal has been in since early February. If that level is broken the metal could in the extreme case test the $ 14.65 an ounce mark. This level was the point where the last rally started. On the other side, the white metal has room till $ 16.95 an ounce; once it breaks through this could it then be looking at targeting the years high of almost $ 19 an ounce.



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 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
Web: 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
Web: www.heraeus.com

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