

All that glitters is not gold, but precious to some



TECHNICAL ANALYSIS
ROD MYER

MENTION precious metals and people's minds go immediately to gold. But platinum is even more valuable, due to decorative and industrial usage. Platinum is so rare that total world production to date would fit inside an average living room.

Tens of tonnes of ore must be mined and put through a five-month refining process to make one ounce of the metal. South Africa accounts for 80 per cent of world production, followed by Russia and North America.

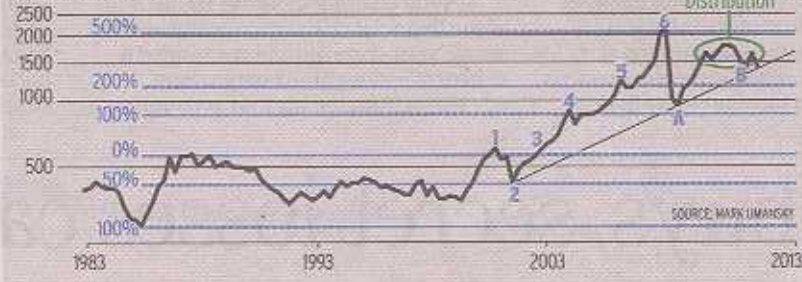
And it is chemically inert

so it never loses its rich lustre. As a result, it is highly sought after by the jewellery trade, which accounts for 51 per cent of production.

Platinum trade was fairly subdued for the two decades leading up to 2003, being locked in a tight trading range of \$US268.60 to \$US573.60 a troy ounce.

Mark Umansky, a certified financial technician and councillor with the Australian Technical Analysts Association, observes that the platinum market first tried to break out of this long-term trading range in September 2000 at point 1 on the chart. But the rally failed and the price fell back into its old range, finding support at the 50 per cent level (point 2), a recognised support level in technical analysis.

PLATINUM PRICES



Then late in 2002 international buyers went confidently into the market and pushed it through the old ceiling at point 3. Technical analysis theory says that when prices convincingly break out from a long-term trading range, the first target they should reach is a doubling of the size of the old trading range,

known as the 100 per cent line (point 4).

Platinum achieved this early in 2004, and by June 2008, reached \$US2234.90 an ounce at point 6.

But sellers then pushed the price down more than 66 per cent in six months of decline. When the price reached point A, close to the initial breakout signal at

point 4, it stabilised around \$US752.10 and began to rise.

The market then went into a consolidation phase (at the ring on the chart) and moved gradually to a distribution phase when informed investors started to sell, crystallising their trading profits just above the rising trend line at point B.

Now the market is poised delicately. Should the market fall through point B, the next support will be at the trend line. If that is broken, a further support would be at point A. Conversely, Umansky says, if there is strong support at point B platinum could test its previous highs.

This column is not financial advice. Those wanting to invest should seek professional counsel. rodmyr@gmail.com

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