



Platinum, Palladium Decline in New York on Auto Demand Concerns

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By Halia Pavliva

March 12 (Bloomberg) -- Platinum and palladium fell in New York on concern that demand for the metal used in auto parts will decline after Bayerische Motor Werke AG, the biggest luxury carmaker, posted a fourth-quarter loss.

The German carmaker reported a loss of 718 million euros (\$919 million) before interest and taxes, compared with a profit of 1.31 billion euros in the 2007 fourth quarter. Vehicle sales in the U.S., BMW's biggest market, fell 37 percent to a 28-year **low** in January after the leanest year since 1982. Platinum and palladium are mostly used in parts for cars and trucks.

"Cars are simply piling up on dealer lots," **Jon Nadler**, a senior analyst at Kitco Inc. in Montreal, said in an e-mailed note. "So long as the automotive sector is stuck in 'reverse' we cannot envision \$1,200 an ounce platinum and \$250 an ounce palladium."

Platinum futures for April delivery fell \$5.70, or 0.5 percent, to \$1,051.50 an ounce on the New York Mercantile Exchange.

The most-active platinum contract tumbled 49 percent in the past 12 months, including a 0.6 percent decline last week, as automotive sales and production slumped in **Europe** and Japan. Lower taxes and lending rates strengthened demand in some areas.

Vehicle sales in China surged 25 percent last month after the government cut taxes on some models, the Asian nation's statistics agency said today. General Motors Corp. has raised its forecast for industry sales in China to rise as much as 10 percent this year from less than 3 percent projected earlier.

India Sales Rise

In India, passenger-car sales climbed for the first time in five months in February as lower loan rates spurred demand for Maruti Suzuki India Ltd. and Hyundai Motor Co. vehicles.

"Car-sales numbers from India and China are fascinating from a macro-economic perspective," **Michael Jones**, the chief executive officer of Vancouver-based **Platinum Group Metals Ltd.**, said in a telephone interview. "Does this mean that Asia is at what I call the 'Henry Ford Revolution?' The worker can buy his own products?"

"It's obviously a sign of Asia detaching from North America," Jones said. "This is important to platinum and copper markets."

Palladium futures for June delivery slid 80 cents, or 0.4 percent, to \$198.30 an ounce in New York. The most-active contract dropped 61 percent in the past 12 months.

U.S. Economy

U.S. retail sales in February **fell** less from the previous month than forecast even after an unexpected gain in January, signs that the economy's biggest component may be stabilizing. Household wealth **sank** by a record \$5.1 trillion, or 18 percent, in the 2008 fourth quarter, the Federal Reserve said.

"The keyword in retail sales was 'fall,' regardless of expectations," Nadler said.

Some investors buy precious metals, including platinum and palladium, as an alternative to owning stocks, bonds and currencies.

"Look for prices to firm as today's retail sales number provides a hint that the consumer has hit rock bottom," said **Ralph Preston**, a commodity analyst at Heritage West Futures Inc. in San Diego. He said today's data may show that President Barack Obama's stimulus spending is beginning to support the "beleaguered" economy.

"The only safe place to be in is precious metals," **Bayram Dincer**, a Dresdner Bank commodities analyst in Zurich, said in an e-mailed comment. He said platinum may reach \$1,100 an ounce.

GE Debt Downgraded

General Electric Co. and its finance arm lost the Standard & Poor's AAA credit rating that it has held since 1956 as a global recession sapped earnings and exposed potential risks.

"Downgrading of GE, volatility in the currency exchange markets after the Swiss National Bank's decision and intervention pre-announcement -- all indicates that we are not over the hill yet," Dincer said.

The Swiss central bank cut its interest rate close to zero and started buying foreign currencies to stem the franc's appreciation as the recession sharpens and deflation looms. The franc plunged the most ever against the euro.

To contact the reporter on this story: **Halia Pavliva** in New York at hpavliva@bloomberg.net.

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