

From: GIO Group JP Morgan <[REDACTED]>

To: Undisclosed recipients;;

Subject: GIO Trade Update: Long Palladium

Date: Tue, 04 May 2010 21:52:53 +0000

Attachments: GIO_Trade_Update_2010-05-04_(Palladium)-pdf.zip

Inline-Images: image002.png; image004.png

Global Investment Opportunities Group (GIO) Opportunistic Investments

May 4, 2010

LONG PALLADIUM

Earlier this year we told clients to take profits on palladium positions, with the metal having run up over 10% over the course of 1 month. However, since then, more information has come out supporting further upside in palladium. Global auto growth remains strong with US auto sales recovering to almost 12 million SAAR in March, China auto sales up over 70% this year, and Brazil auto sales posting double-digit growth. Also, palladium can be used as a catalyst not just for gasoline engines but also for diesel engines as well, thereby increasing the sources of demand for the metal.

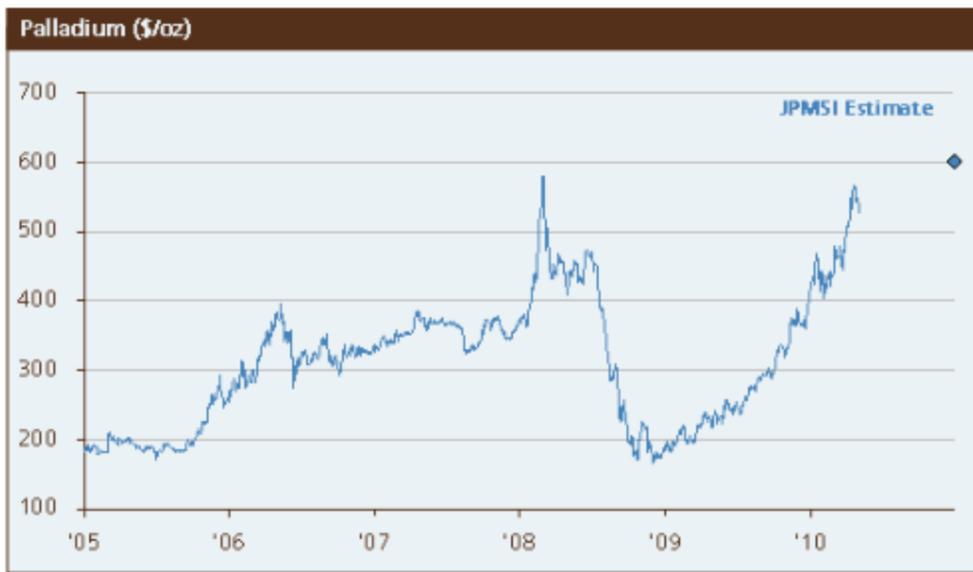
There is also data suggesting increasing supply constraints - namely depleting Russian stocks of palladium and low levels of annual production. According to JPMSI, without the Russian stock, palladium would have been in a notional deficit of about 300k oz. JPMSI is now targeting an average price of \$600/oz in 4Q10 (up from \$450/oz at the beginning of the year) versus current levels of \$520/oz, implying about 15% upside.

Risks

- Weak global auto sales.
- Discovery of new supply.
- High price volatility.

Implementation

- Palladium stocks such as [Stillwater Mining](#) (OW rated by JPMSI).
- Palladium ETF or derivatives on the metal.



Source: Morgan Securities, Inc., Bloomberg. Data as of 05/03/10.

IMPORTANT INFORMATION

This presentation and the material contained herein is not a product of the Morgan Research Department and is not a research report, although it may refer to a research report or research analyst. This presentation should be reviewed in conjunction with U.S. research published by Morgan Securities, Inc. to the extent that such research exists. The opinions and ideas expressed herein do not take into account individual client circumstances, objectives and needs. Transactions in any securities that may be referenced herein may not be suitable for all investors.

This presentation has been prepared for information purposes only. Nothing in this material is intended to be a solicitation for any product or service offered by Morgan's Private Bank or any of its affiliates. Information contained herein has been obtained from sources believed to be reliable but we do not guarantee its accuracy or completeness and accept no responsibility for any direct or consequential losses arising from its use. The views and strategies described herein may not be suitable for all investors. This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument and is being provided merely to illustrate a particular investment strategy.

Past performance is no guarantee of future results.

Investment Products: Not FDIC Insured	- No Bank Guarantee	- May Lose Value
---------------------------------------	---------------------	------------------