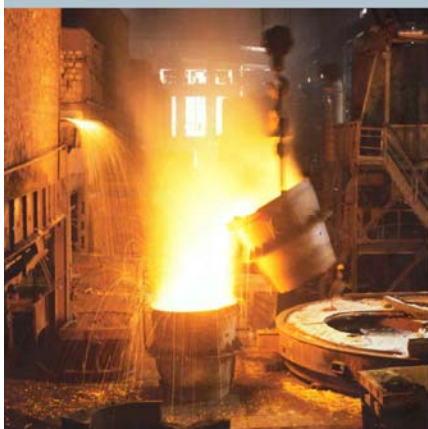


1 July 2009



Focus: Demand must follow supply The supply-side of the global economy has reacted well to global monetary and fiscal stimulus. But for this to translate into sustainable growth, the demand-side must react as well.

- **For gold, our preferred strategy remains selling into rallies.**
- **Platinum is finding good support at current levels around \$1,170 – \$1,180.** However, the metal could push lower should wage negotiations in South Africa be resolved.
- While Nigerian supply-side risks saw front-month WTI crude oil rally to \$73.40/bbl in Asian trade yesterday, the stronger greenback, coupled with weak US consumer confidence data, saw the contract plummet to \$68.93/bbl in NY trade. **Presently, front-month WTI crude oil is drifting sideways.** Thermal coal contract prices followed front-month crude oil prices lower yesterday.
- After a good start, Tuesday was dominated by a sharp sell off during the afternoon as month and quarter end factors combined with poor macroeconomic data and a stronger dollar. Wednesday has seen the base metals recover, with copper leading the way after gaining strongly during Asian trading on the back of positive Chinese economic data.

Walter de Wet* CFA
+44 (20) 7815 2759
Walter.DeWet@standardbank.com

Leon Westgate*
+44 (20) 7815 4090
Leon.Westgate@standardbank.com

Manqoba Madinane*
+27 (11) 378 7220
Manqoba.Madinane@standardbank.co.za

Commodity price data (30 June 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,650	1,630	1,659	1,594	-10	-0.61	1,616.00	0	-33.25
Copper	5,115	4,968	5,180	4,910	-131	-2.57	5,108.00	23	-18.25
Lead	1,725	1,695	1,750	1,670	-13	-0.76	1,730.00	21	-19.50
Nickel	15,875	15,375	16,100	15,181	-450	-2.85	16,010.00	230	-84.00
Tin	14,750	14,900	14,900	14,000	-455	-3.12	14,950.00	160	82.00
Zinc	1,571	1,550	1,589	1,517	-33	-2.09	1,555.00	9	-26.50

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	69.90	69.75	70.20	69.53	0.45	0.65%	46.74	42.07	35.46
NYMEX WTI	70.45	70.45	70.75	70.17	0.56	0.79%	47.59	42.38	35.46
ICE Gasoil	564.50	564.25	565.75	564.25	7.25	1.28%	-	-	-
API2 Q3'09	66.22	64.98	-	-	-1.24	-1.91%	-	-	-
ICE EUA Dec09	13.54	13.17	-	-	-0.37	-2.73%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	941.00	934.50	944.50	923.50	926.50	-14.00	0.00/0.40
Silver	-	13.61	14.12	13.48	13.58	-0.40	-1.50/0.50
Platinum	1,196.00	1,186.00	1,201.00	1,175.00	1,178.00	-9.00	4/8
Palladium	251.00	249.00	250.00	248.00	248.00	0.00	0/3

Sources: Standard Bank; LME; Bloomberg

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Focus: Demand must follow supply

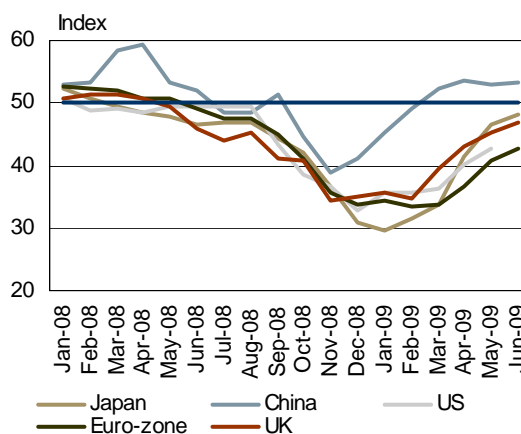
The supply-side of the global economy has reacted well to global monetary and fiscal stimulus. But for this to translate into sustainable growth, the demand-side must react as well.

Since yesterday, we have seen the release of PMI manufacturing indices for all the large economies (except the US, to be released this afternoon). We view these indices as a good indicator of what's happening in the global supply-side economy (refer to adjacent graph). Except for China, manufacturing continues to contract in all the major economies — albeit at a slower rate (an index reading below 50 signals a contraction). However, these indices are moving into the right direction. Given they are only a rough indication of manufacturing sector growth, we view the latest developments as positive — but not yet sufficient to conclude that commodity demand will rise in the coming months.

We view the current trend in the PMI indices partly as a function of two factors. **Firstly**, as a function of re-stocking of inventories after a period of massive de-stocking since September 2008. **Secondly**, a function of increased global liquidity. With higher liquidity, output should rise in the short term. Both these factors have also supported the recovery in commodity prices during H1:09.

However, both factors could prove transitory. Inventories can build only to a certain level before available demand is satisfied, while we know from empirical literature that higher global liquidity (and

PMI manufacturing indices



Sources: Standard CIB Global Research; Bloomberg

inflation) might only result in short-term output gains. **Therefore, if price momentum is to be sustained, demand must also rise.**

During H2:10, our interest would be on demand indicators (such as consumer confidence and vehicle sales (especially the US and EU). We would also look at other indicators, such as consumer credit growth; most of these indicators remain well below pre-2008 levels.

By Walter de Wet

Base metals

After a good start, Tuesday was dominated by a sharp sell off during the afternoon as month and quarter end factors combined with poor macroeconomic data and a stronger dollar. Wednesday has seen the base metals recover, with copper leading the way after gaining strongly during Asian trading on the back of positive Chinese economic data. Aside from the red metal, which has had a fairly busy start to the third quarter, volumes elsewhere in the complex have been very subdued.

The Chinese Manufacturing PMI and the CLSA Manufacturing PMI numbers for June both showed improvement, rising to 53.2 and 51.8 respectively. A reading above 50 indicates expansion. The data helped to shore up sentiment towards China's economy and was a key factor behind a rally in the copper price this morning.

Looking ahead, today sees the release of the US ADP employment numbers (expected -395 k) and ISM Manufacturing data for June (expected at 44.6 from 42.8). However, the major economic data this week is due out tomorrow, with the long week-end in the US seeing the announcement of the ECB interest rates coincide with the release of the US Nonfarm Payroll numbers, Initial Jobless data and Factory Orders. Consequently, today may be fairly quiet as participants keep their powder dry.

Decent buying interest overnight has propelled copper comfortably back above \$5,000, after closing 2.6% lower on Tuesday at \$4,968. A weaker dollar, stronger equity markets and firmer oil prices also appear to be lending support, while a small - 500 mt - increase in available LME inventory has had no impact on prices. Interestingly, the increase in stocks was predominantly due to a 475 mt inflow into Singapore, which has seen inventories gain 1,250 mt since the beginning of last week (22nd June). That said, total on-warrant copper in Asian warehouses is still only 2,300 mt, equivalent to less than 1% of total available LME inventory. In other news, Chilean copper output declined by 2.3% y-o-y in May to 454,455 mt, while, output of molybdenum increased by 54% y-o-y to 2,705 mt.

Aluminium continues to be rangebound, with a weaker dollar and stronger energy prices helping the light metal recover from yesterday's weakness. Volumes remain very subdued however, with Wednesday morning's turnover on LME Select less than half of that seen in copper. Elsewhere, lead has also recovered and is trading back above \$1,700 in spite of a 1,925 mt increase in available LME inventory. Zinc, nickel and tin have also clawed back much of Tuesday's losses.

By Leon Westgate

Precious metals

For gold, our preferred strategy remains selling into rallies. Gold sold off in New York after reaching intra-day highs of \$944.50 yesterday. With some dollar weakness, and physical buying out of Asia, the metal is back above \$930. But today might be subdued ahead of tomorrow's US non-farm payroll data, the ECB's interest rate decision, and a long weekend in the US. Levels approaching \$930 – \$935 continue to see some physical buying of gold, which we believe is supporting gold. But still, sufficient upward momentum is lacking. Gold support is at \$920 and \$911, and resistance at \$933 – \$935 and \$942.

Platinum is finding good support at current levels around \$1,170 – \$1,180. However, the metal could push lower should wage negotiations in South Africa be resolved. This morning saw the release of Japanese vehicle sales data (a decline of 13.5% y/y in June). This follows Monday's Japanese vehicle production figures (a 41.4% y/y decline). While the rate of decline in vehicle sales is slowing, the production response is lagging demand. We therefore do not expect any major increase in demand for platinum and palladium from Japanese auto makers yet. This is consistent with our estimates of Swiss net exports to Japan so far in H1:09. Despite the relative weakness in platinum since yesterday, palladium is holding up well around \$250. Platinum support is at \$1,170 and \$1,150. Resistance is at \$1,200. Palladium support is at \$246 and resistance is at \$253.

As with gold, we continue to favour selling into silver rallies. Furthermore, silver might see strong rallies on the upside, should positive economic sentiment continue. Support is at \$13.40 and \$13.10, and resistance at \$14.00 – \$14.06 and \$14.44.

By Walter de Wet

Energy

While Nigerian supply-side risks saw front-month WTI crude oil rally to \$73.40/bbl in Asian trade yesterday, the stronger greenback, coupled with weak US consumer confidence data, saw the contract plummet to \$68.93/bbl in NY trade.

Yesterday, the US API reported a 6,817K barrel decline in US crude oil inventories — which provided some support to front-month WTI crude in aftermarket trade. However, gasoline and distillate inventories both showed a rise. Today's DOE report is expected to show a decline of 2m barrels of crude inventory, a rise of 2m barrels of gasoline inventory, and another rise of 1.5m barrels in distillates.

Turning to the broader financial markets, with Asian equity markets under pressure this morning, and US equity index futures are pricing in gains later today, and **front-month WTI crude oil is drifting sideways.**

Japanese vehicle sales contracted 13.5% m/m in June (an improvement from May's 19.4% contraction) — but still signaling weak Japanese crude oil demand growth. Supporting crude sentiment is China's CLSA manufacturing PMI which showed a marginal improvement, to 51.8 in June, from 51.2 in May — signaling further expansion in Chinese manufacturing. Look out for US ISM manufacturing data for more clues on economic activity and crude oil demand developments.

Thermal coal contract prices followed front-month crude oil prices lower yesterday. API2(CIF ARA) shed \$1.24/mt to \$64.98/mt, whilst API4(FOB) for Q3:09 delivery slipped \$1.75/mt, to \$61.50/mt. Shipment data at Australia's Newcastle coal terminal showed an 11.7% w/w increase, with the shipping queue increasing from 39 to 46 vessels — possibly a result of increased Indian import demand pressure as Australia aims to expand its power production capacity. This morning's manufacturing figures on China could support sentiment today.

Carbon emissions contract prices were lower yesterday. ICE EUA for December delivery shed EUR0.37/mtCO₂, to EUR13.17. UN-backed CER for December delivery fell EUR0.20/mtCO₂, to EUR11.80/mtCO₂.

By Manqoba Madinane

Base metals

Daily LME stock movement (mt)

Metal	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled warrants (mt)	Cancelled warrants (%)	Contract turnover
Aluminium	4,394,825	4,398,350	2,325	5,850	-3,525	2,065,925	132,125	3.01	182,138
Copper	265,725	265,950	600	825	-225	-74,050	9,900	3.73	76,454
Lead	91,650	89,725	1,925	0	1,925	46,500	75	0.08	18,177
Nickel	109,584	109,242	492	150	342	31,194	798	0.73	25,233
Tin	17,130	17,005	165	40	125	9,340	555	3.24	20,776
Zinc	353,375	353,575	0	200	-200	99,875	6,675	1.89	54,442

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	13,390	13,420	-15
Copper	39,970	39,960	-770
Zinc	13,310	13,380	-55

COMEX active month future prices

Metal	Open	Close	Change	Change (%)
Aluminium	Ali July'09	75	74.75	-0.50 -0.66%
Copper	Cu July'09	227	229.25	2.05 0.90%

ZAR metal prices (30 June 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,506	39,531	13,388	123,901	115,698	12,034	7.7390
3-month	12,844	39,148	13,357	121,155	117,412	12,214	7.8800

Energy

Energy futures pricing	Price Change		Price Change		Price Change		Price Change		Price Change	
	1-month forward	2-month forward	3-month forward	6-month forward	1-year forward					
Sing Gasoil (\$/bbl)	75.23	-1.55	75.56	-1.93	76.40	-1.92	80.46	-1.53	85.07	-1.64
Gasoil 0.1% Rdam (\$/mt)	564.25	7.25	574.75	7.00	578.50	-13.75	607.50	-12.75	645.50	-12.25
NWE CIF jet (\$/mt)	614.48	-13.27	623.92	-13.66	635.66	-13.58	663.64	-12.58	704.10	-12.25
Singapore Kero (\$/bbl)	76.03	-1.80	77.11	-2.03	78.35	-2.07	82.91	-1.60	87.47	-1.64
3.5% Rdam barges (\$/mt)	378.18	-5.26	377.57	-5.21	378.32	-5.45	382.36	-5.62	397.95	-5.89
1% Fuel Oil FOB (\$/mt)	382.18	-6.26	390.07	-5.96	394.57	-5.70	411.61	-6.87	438.70	-6.89
Sing FO 380 Cargo (\$/mt)	398.32	-5.21	397.82	-5.70	398.14	-5.95	404.29	-6.04	418.98	-5.89
Sing FO180 Cargo (\$/mt)	406.18	-5.51	403.57	-5.46	403.82	-5.70	408.86	-6.12	418.98	-5.89
Thermal coal	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	64.98	-1.24	72.45	-1.55	90.60	-1.65	98.92	-2.36	104.39	-2.36
API4 (FOB RBCT)	61.50	-1.75	67.20	-1.80	81.10	-2.40	88.90	-2.36	94.39	-2.36
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.00	-0.33	13.17	-0.37	13.67	-0.41	14.44	-0.39	15.45	-0.45
ICE - ECX CER (€/mt)	11.80	-0.23	11.80	-0.20	11.55	-0.28	11.90	-0.10	12.10	-0.30

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.19167	0.27500	0.35833	0.47833	0.67333		
Silver	0.46000	0.48000	0.52000	0.54000	0.61600		
USD Libor	0.30875	0.41438	0.59500	1.11125	1.60625		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	49.40	932.23	940.87	928.26	876.38	920.00	941.00
Silver	47.01	13.92	14.43	13.63	12.22	13.36	14.03
Platinum	50.09	1,186.25	1,217.54	1,143.26	1,024.67	1,160.00	1,194.00
Palladium	55.38	242.76	247.11	225.41	208.89	245.00	253.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Aug'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	928.50	13,6300	250.15	1,185.30	928.00	2,895.00	927.90
Open Interest	378,567	104,499	16,458	23,000	892	99,281	3,391
Change in Open Interest	134	1,711	54	-32	175	9,799	134

Date: 30 June 2009

Sources: Standard Bank; LME; Bloomberg

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