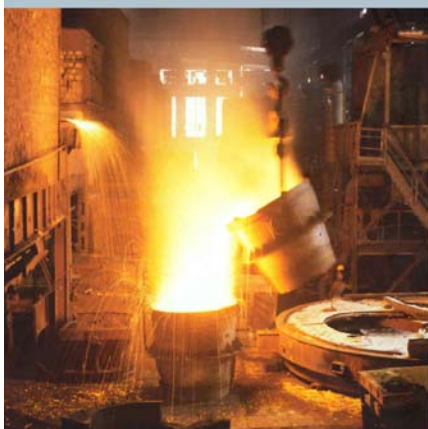


2 July 2009



Focus: Oil fundamentals taking control We believe that the same factors which pushed equity markets higher have played a part in driving oil up since March. These factors are: **increased global liquidity**; and **re-stocking of inventory by the global manufacturing sector**. However, we also believe that the impact of these factors is lessening. **Equity markets are indicating that crude oil should move down, especially nearby prices.**

- We believe that the dollar will depreciate further towards year-end. We also believe that any rumour that China wants to move out of the dollar as reserve currency should be sold into as gold moves higher.
- PGM and silver are tracking gold, and we see limited upside for platinum and palladium today.
- Despite the crude oil price adhering to \$70/bbl, we interpret most of the news as bearish for oil.
- Copper's yo-yo ride continues, with the metal reaching a high of \$5,188 during Wednesday afternoon, before trading back below \$5,000 during Thursday morning.
- The US Non-farm Payroll numbers are the big economic data release this afternoon (expected at -365k in June).

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Commodity price data (1 July 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,642	1,663	1,681	1,625	33	2.03	1,610.00	-6	-31.25
Copper	5,075	5,090	5,188	4,975	120	2.41	5,042.00	-66	-14.50
Lead	1,706	1,740	1,760	1,682	49	2.90	1,695.00	-35	-20.75
Nickel	15,625	16,500	16,600	15,350	1,100	7.17	15,775.00	-235	-79.00
Tin	14,300	14,750	15,000	14,200	350	2.47	14,460.00	-490	68.00
Zinc	1,574	1,595	1,601	1,540	50	3.24	1,544.50	-11	-27.00

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	68.90	68.65	69.19	68.44	-0.14	-0.20%	46.74	42.07	35.46
NYMEX WTI	69.22	69.08	69.74	68.97	-0.23	-0.33%	47.59	42.38	35.46
ICE Gasoil	553.50	549.75	553.75	549.75	-7.25	-1.32%	-	-	-
API2 Q3'09	64.98	66.22	-	-	1.24	1.87%	-	-	-
ICE EUA Dec09	13.17	13.22	-	-	0.05	0.38%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	931.50	938.25	946.50	928.75	941.00	14.50	0.00/0.30
Silver	-	13.75	13.86	13.63	13.75	0.17	-2.0/0.0
Platinum	1,176.00	1,188.00	1,203.00	1,176.00	1,197.00	19.00	4/8
Palladium	249.00	253.00	253.00	251.00	252.00	4.00	0/3

Sources: Standard Bank; LME; Bloomberg

Please refer to the disclaimer at the end of this document.



Focus: Oil fundamentals taking control

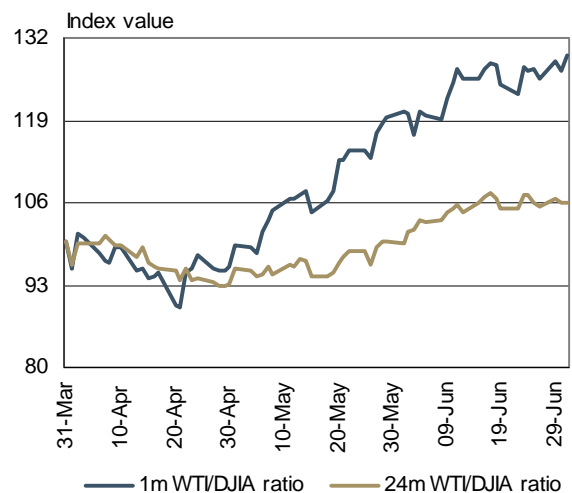
We believe that the same factors which pushed equity markets higher have played a part in driving oil up since March. These factors are: **increased global liquidity**; and **re-stocking of inventory by the global manufacturing sector**. However, we also believe that the impact of these factors is lessening. **Equity markets are indicating that crude oil should move down.**

Recently, both nearby and longer-dated WTI prices have decoupled from equity markets. We created an index from the WTI oil/DJIA ratio, using front-month WTI prices and 24-month WTI prices. Since 22 April, the index using front-month prices and the DJIA has risen sharply. The index using 24-month crude prices has also risen, but by less. **This could signal a correction in crude — especially for nearby prices.**

Arguably, there have been developments in crude oil markets on the demand and supply side which warrant an outperformance of crude over equities. Since 17 April, DOE crude inventories has shown a drawdown of 16.6m barrels. At the same time, OPEC has been fairly disciplined in applying quotas, and global industrial production has retreated marginally from the abyss it faced in Q3:08.

However, gasoline and distillate inventories in the US have been rising, and reports suggest that OPEC members have begun to

Index of WTI/DJIA ratio



Sources: Standard CIB Global Research; Bloomberg

increase production. **Both are bearish for crude.**

While we believe supply and demand factors justify some increase in longer-dated prices, we also believe that the ratio means that **nearby crude prices are too high.**

By Manqoba Madinane

Base metals

The base metals surged higher during Wednesday afternoon, buoyed by a weaker dollar and generally positive economic data. Short covering activity across several of the metals was also a feature, particularly for Nickel which closed over 7% higher. After a quiet start, the afternoon saw volumes pick up strongly, with position squaring activity emerging ahead of the long weekend in the US. Late on, Reuters reported that China had pushed for a new reserve currency to be on the agenda at next week's G8 summit. The report has since been denied by the Chinese, but at the time, it saw the already weak dollar decline further, providing another boost to base metal prices after the 5pm ring close.

Thursday has started slowly, with a stronger dollar seeing the base metals trade on the heavy side. The stronger dollar follows a denial of last night's Reuters story by the Chinese, and a reiteration of its call for a stable dollar.

The US Non-farm Payroll numbers are the big economic data release this afternoon (expected at -365k in June). Due to the long weekend in the US however, the release also coincides with the start of ECB President Jean-Claude Trichet's press conference after the ECB rate decision. Combined with the forthcoming US holiday, we may therefore see trading activity compressed in a narrow window between payrolls (1.30 UK time) and when the US starts to wind down ahead of the Independence Day break.

Copper's yo-yo ride continues, with the metal reaching a high of \$5,188 during Wednesday afternoon, before trading back below \$5,000 during Thursday morning. Much of the movement has come on the back of fluctuations in the dollar, however, while the battle continues between participants focusing on the short-term picture, and those looking at the longer-term, then prices will likely remain very volatile. Meanwhile, available LME inventories resumed their decline, falling 3,850 mt this morning, due primarily to a 3,525 mt jump in cancelled warrants in Antwerp.

Nickel was by far the strongest performer on Wednesday, climbing over 7% to close at \$16,500. Much of the momentum came from short covering activity, however volumes were pretty good, and, coupled with a small increase in open interest there also appears to be an element of fresh buying interest coming into play. In other news, BHP Billiton has temporarily closed its Perseverance underground mine after a couple of rockfalls over the past month. The mine is part of the company's Nickel West operations in Western Australia.

By Leon Westgate

Precious metals

We believe that the dollar will depreciate further towards year-end. We also **believe that any rumour that China wants to move out of the dollar as reserve currency should be sold into as gold moves higher**. We believe that even if China wanted to sell dollars, it would be very reluctant. China this morning denied knowledge of proposed discussion about the dollar's role as reserve currency at next week's G8 meeting. In addition, the Chinese Vice Foreign Minister indicated that China hoped that the dollar would remain stable. This is understandable, given the size of China's reserve holdings.

The world holds \$6.8tr in international reserves assets. Of these assets, 28.75% (\$1.95tr) is held by China. Furthermore, the IMF estimates that 64% of international reserves is held in dollars (but not all countries declare their holdings). If 64% is held in dollars, China's dollar holdings could amount to \$4.35tr (if world averages are used). However, many believe that China could be holding up to 70% of its reserves in dollars. Therefore, for every 1% the dollar depreciates (against all other currencies), countries holding dollar reserves lose \$43.52bn — and China would be the biggest loser by far. **Therefore, even if China wanted to, it would be reluctant to see the dollar depreciate** — especially under current market conditions of declining exports, rising domestic spending, and the increasing burden on global governments. Furthermore, the mere size of China's holdings prohibits it from moving out of dollars. The currency market will front-run any large-scale sales by China, which in turn would lead to massive trading losses in China's reserve holdings.

After its rally yesterday, gold is down today. We expect the market to remain quiet ahead of the non-farm payroll data and the ECB's rates decision. **Our gold strategy of selling into rallies stands**. Gold support is at \$929 and \$926, with resistance at \$945 and \$955.

PGM and silver are following gold, and we see limited upside for platinum and palladium today. Yesterday's US total vehicle sales for June was bearish, at an annualized figure of 9.7m — below expectations, and well below the 12.5m of June 2008. Platinum support is at \$1,180 and resistance is at \$1,214. Silver support is at \$13.50 — \$13.55, and resistance at \$13.80.

By Walter de Wet

Energy

Despite the crude oil price adhering to \$70/bbl, we interpret most of the news as bearish for oil. Reports of a third monthly gain in OPEC supply, as member countries take advantage of rising oil prices, coupled with weak US labour market data, saw front-month WTI crude plummet to \$68.54/bbl in New York. According to a Bloomberg survey of oil companies, OPEC has increased output to 28.3mbpd in June — 55,000 barrels more than in May. US ADP employment change data also showed a 473,000 contraction in June (consensus: a 394,000 contraction). Look out for US non-farm payrolls data today — a worse-than-expected decline could weigh on oil.

On the DOE inventory front, crude oil inventories declined 3,660K barrels last week, against market consensus for a 2,000K barrel decline. But both gasoline and distillate inventories have risen, indicating weak demand, especially for distillates.

According to China's Xinhua News agency, Chinese emergency and commercial crude oil inventories have increased 0.4% m/m in May, to 38.75 million tonnes — which could also weigh on crude oil prices today.

Thermal coal prices at the front-end of the forward curve firmed yesterday, with API2(CIF ARA) for Q3:09 delivery rising \$1.24/mt, to \$66.22/mt; API4(FOB) for Q3:09 also gained \$0.95/mt, to \$62.45/mt. However, the back-end of the forward curve remained under pressure, with API4(FOB) and API2(CIF ARA) for Q4:10 delivery shedding \$0.60/mt and \$0.35/mt respectively. This could mean that investors are still pricing in medium- to long-term demand weakness. According to data from China's Southern Power Grid Company, electricity demand in China's five southern provinces had increased 5.4% m/m — signaling increasing thermal coal demand. This could support thermal coal contract prices today.

Carbon emissions contract prices were steady yesterday. Active-year ICE EUA gained EUR0.05/mtCO₂, to EUR13.22/mtCO₂. UN-backed CER for December delivery rose EUR0.10/mtCO₂, to EUR11.90/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	4,397,325	4,394,825	7,025	4,525	2,500	2,068,425	130,275	2.96	214,215
Copper	264,225	265,725	0	1,500	-1,500	-75,550	12,250	4.64	112,356
Lead	92,250	91,650	600	0	600	47,100	75	0.08	22,966
Nickel	109,584	109,584	0	0	0	31,194	798	0.73	27,510
Tin	17,230	17,130	120	20	100	9,440	565	3.28	20,154
Zinc	353,125	353,375	0	250	-250	99,625	6,500	1.84	65,725

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	13,460	13,450	45	Ali July'09	75	76.50	1.75	2.34%
Copper	40,700	40,420	360	Cu July'09	233	232.45	-0.60	-0.26%
Zinc	13,460	13,435	55					

ZAR metal prices (1 July 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,481	39,086	13,140	122,288	112,094	11,973	7.7520
3-month	13,120	40,158	13,728	130,178	116,372	12,584	7.8896

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)	75.48	0.25	75.79	0.23	76.61	0.21	80.76	0.30	85.17	0.10
Gasoil 0.1% Rdam (\$/mt)	549.75	-7.25	562.75	-4.75	578.25	-0.25	607.25	-0.25	646.25	0.75
NWE CIF jet (\$/mt)	614.30	-0.18	623.67	-0.25	635.24	-0.42	663.56	-0.08	704.85	0.75
Singapore Kero (\$/bbl)	75.93	-0.10	76.99	-0.12	78.41	0.06	83.21	0.30	87.52	0.05
3.5% Rdam barges (\$/mt)	380.11	1.93	379.35	1.78	379.41	1.09	382.65	0.29	397.83	-0.12
1% Fuel Oil FOB (\$/mt)	383.61	1.43	390.60	0.53	395.16	0.59	411.15	-0.46	437.83	-0.87
Sing FO 380 Cargo (\$/mt)	401.85	3.53	400.16	2.34	400.04	1.90	404.95	0.66	419.80	0.82
Sing FO180 Cargo (\$/mt)	410.36	4.18	406.60	3.03	406.16	2.34	409.40	0.54	419.80	0.82
Thermal coal	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	66.22	1.24	72.75	0.30	90.25	-0.35	98.28	-0.64	103.50	-0.89
API4 (FOB RBCT)	62.45	0.95	67.25	0.05	80.50	-0.60	88.26	-0.64	93.50	-0.89
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.08	0.08	13.22	0.05	13.73	0.06	14.46	0.02	15.46	0.01
ICE - ECX CER (€/mt)	11.95	0.15	11.90	0.10	11.67	0.12	11.80	-0.10	12.17	0.07

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.19857	0.29286	0.36714	0.48143	0.68143		
Silver	0.45833	0.47500	0.51714	0.53857	0.62167		
USD Libor	0.30625	0.40938	0.58750	1.09125	1.59000		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.73	933.98	939.65	928.30	876.80	929.00	948.00
Silver	48.12	13.89	14.34	13.63	12.22	13.61	13.88
Platinum	52.00	1,187.26	1,213.99	1,144.69	1,024.84	1,175.00	1,209.00
Palladium	57.01	244.71	247.32	225.84	208.98	248.00	256.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGDX GLD	TOCOM GLD	CBOT GLD
	Aug'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	939.30	13,7300	254.25	1,205.10	939.80	2,928.00	939.80
Open Interest	379,199	104,594	16,444	22,996	766	99,586	3,227
Change in Open Interest	632	95	-14	-4	-126	305	-164

Date: 1 July 2009

Sources: Standard Bank; LME; Bloomberg

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