

April 24th 2008

Precious Metals Daily

## Metals recede as dollar strengthens

Commodities gained downside momentum yesterday following strong US corporate earnings data that saw the dollar regain some lost ground against major currencies. The S&P 500 gained 0.29%, signalling some flow of funds into US capital markets. Subsequently, the dollar strengthened to \$1.5860 (below Tuesday's record low of \$1.6019) against the euro and by 0.85% on a trade-weighted basis. Furthermore, WTI crude oil prices fell, trading between \$116.47 and \$118.00 a barrel as US crude inventory stocks increased by 2.4 million barrels. However, on an historical basis, crude oil prices are still at record levels — yesterday's slight correction should not have a significant impact on global inflation expectations as WTI crude oil price remain in a long-term bull trend.

Bargain-hunting could possibly lift precious metals prices in the near term as global inflation risks remain in place. In support of this view, equity index futures are now pricing near-term weakness in US and Asian equity markets — which could see a near-term diversion of funds into commodities.

Credit market tension has receded, as indicated by tightening credit default swap spreads — both the iTraxx and CDX indices narrowed, signalling increased investor confidence about the financial system's ability to weather the credit crisis. This could prompt funds to flow into precious metals as investor uncertainty recedes. Inflation risks and dollar weakness would support commodity investment.

**Gold** opened at \$915 in Asia and traded in a tight \$6 range before being held at \$916 at the London AM fix. Strong downside momentum was gained in London as ETF off-loaded holdings as the dollar strengthened and oil receded. Gold was held at \$898.50 at the PM fix. Fund buying interest in New York, below the \$900 mark, lifted prices to **\$906** at the afternoon close. We see support for gold at \$896, with \$887 and \$869 as near-term possibilities. Primary resistance is seen at \$914, and secondary resistance at \$924. A break higher might see gold test \$943.

**Silver** closed softer, at **\$17.19** in New York, on weaker oil prices, with LME copper shedding 1.65% — to close at

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	916.25	898.50	922.50	897.00	906.00	-16.00	2.3/2.6
Silver	-	17.550	17.770	17.02	17.19	-0.53	-2.5/-1
Platinum	2,018.00	2,004.00	2,010.00	1,990.00	2,000.00	-25.00	5/9
Palladium	455.00	446.00	449.00	447.00	444.00	-11.00	2.0/4.0

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.7143	2.7057	2.7086	2.6400	2.5957
Silver	2.9671	2.9233	2.8471	2.7571	2.6514
USD Libor	2.8950	2.9063	2.9200	3.0463	3.1113

Technical indicators							
Metal	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	47.31	926.84	920.95	903.53	817.74	896.00	914.00
Silver	47.30	17.84	17.75	17.04	15.22	16.91	17.51
Platinum	52.70	2,009.65	2,002.25	1,825.27	1,591.94	1,985	2,045
Palladium	49.20	455.38	450.46	427.61	390.44	442	455

Active Month Futures*							
	Comex GLD Jun'08	Comex SLV May'08	NYMEX PAL Jun'08	NYMEX PLAT Jul'08	DGCX GLD Jun'08	TOCOM GLD Feb'09	CBOT GLD Jun'08
Settlement	909.00	17.2760	447.55	2,018.80	906.40	3,074.00	908.60
Open	424,218	153,234	19,686	13,881	3,886	178,772	12,098
Interest							
Change in OI	-3,148	2,626	88	124	120	2,626	137
Date:	23-Apr-08						

\* Open interest

\$8,555. Support for silver is seen at \$16.91, with \$16.67 and \$16.07 as possibilities. Primary resistance is seen at \$17.51, with secondary resistance at \$17.87. A break higher might see silver test \$18.47.

**Platinum** traded softer — at **\$2,000** in New York on fund selling pressure. Lonmin has cut its production forecast by 10%. Furthermore, it is reported that Mutsui has developed diesel engine technology to substitute platinum with silver — this could add further near-term weakness to platinum prices. Platinum found primary support above \$1,985. **Palladium** closed softer — at **\$444** in New York. Prices remain well supported above \$442. **Rhodium** was fixed lower — at **\$9,100**.

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

**Walter de Wet CFA\***  
 +27 11 378 7239  
 Walter.deWet@standardbank.com



Date/GMT +2		Data/Event	Consensus	Previous
<b>21-Apr</b>				
01:01	GBP	House prices (Apr)	—	5.0% y/y
01:50	JPY	Industry index (Feb)	-0.5% m/m	0.7% m/m
07:00	JPY	Economic index (Feb)	54.5%	50.0%
07:00	JPY	Coincident index (Feb)	70.0%	44.4%
08:30	EUR	ECB's Liebscher speaks	—	—
09:30	EUR	ECB's Liebscher speaks	—	—
15:00	USD	Fed's Evans speaks	—	—
19:30	USD	Fed's Krosner speaks	—	—
<b>22-Apr</b>				
09:45	EUR	ECB's Garganas speaks	—	—
13:00	GBP	BOE's Besley speaks	—	—
16:00	USD	Existing home sales (Mar)	-1.6% m/m	2.9% m/m
16:00	USD	House price index (Feb)	—	-1.1% m/m
16:00	USD	Richmond Fed manfact. index (Apr)	—	6
23:00	USD	ABC consumer conf. (Apr)	—	-39
<b>23-Apr</b>				
01:50	JPY	Total trade balance (Mar)	¥1,410.0bn	¥966.2bn
10:00	EUR	PMI Manufact. (Apr)	51.7	52.0
10:00	EUR	PMI Services (Apr)	51.4	51.6
10:00	EUR	PMI Composite (Apr)	—	51.8
10:30	GBP	BOE meeting mins (Apr)	—	—
10:30	ZAR	Vehicle sales conf. index	—	—
11:00	EUR	Industrial new orders (Feb)	—	7.3% y/y
11:30	ZAR	CPI (Mar)	10.2% y/y	9.8% y/y
11:30	ZAR	CPIX (Mar)	9.8% y/y	9.4% y/y
11:30	ZAR	Core CPI	9.3% y/y	8.9% y/y
13:00	USD	MBA mortgage apps (Apr)	—	2.5%
<b>24-Apr</b>				
01:50	JPY	Industry activity ind. (Feb)	-0.5% m/m	0.0% m/m
09:30	ZAR	Insolvencies (Feb)	—	8.9% y/y
09:30	ZAR	Liquidations (Mar)	—	-9.9% y/y
10:00	EUR	Eurozone C/A (Feb)	—	-€10.6bn
10:30	GBP	Retail sales (Mar)	4.5% y/y	5.5% y/y
11:30	ZAR	PPI (Mar)	11.0% y/y	11.2% y/y
14:30	EUR	ECB conference	—	—
14:30	USD	Durable goods orders (Mar)	0.1% m/m	-1.1% m/m
14:30	USD	Initial jobless claims (Apr)	375K	372K
14:30	USD	Continuing claims (Apr)	—	2,984K
16:00	USD	New home sales (Mar)	-0.8% m/m	-1.8% m/m
<b>25-Apr</b>				
01:30	JPY	CPI (Mar)	1.2% y/y	1.0% y/y
09:30	EUR	ECB's Weber speaks	—	—
10:00	EUR	Eurozone M3 (Mar)	10.8% y/y	11.3% y/y
10:30	GBP	GDP (1Q)	2.5% y/y	2.8% y/y
16:00	USD	UoM confidence (Apr)	63.5	63.2



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