

April 29th 2008

Precious Metals Daily

Metals eyeing Fed decision

This week has continued last week's low volumes, with investors preferring to the sidelines, awaiting tomorrow's interest rate decision by the Fed.

According to Fed fund futures, as of yesterday there was an 78% probability of the Fed cutting rates by 25 bps. This is much lower than the 94% probability one week ago. However, the probability of a 25 bps rate cut is not lower this week because investors see a greater chance of a 50 bps rate hike; it is lower because there is now a 22% probability of no rate cut (compared to only 6% probability one week ago). According to the futures market, no-one foresees a 50 bps rate cut. This means the market sees an end to the rate cut cycle in the US. However, in the event that the Fed surprises with a 50 bps cut, the dollar could depreciate against other major currencies. The dollar continues to trade around \$1.5640.

Crude oil remains at high levels, with WTI trading still well above \$118 a barrel. This continues to provide support for precious metals. We see little chance of crude falling much lower right now, as supply disruptions continue to place upward pressure on oil prices.

Gold continues to trade around the \$890 level. With little real news in the markets, the yellow metal tracked the dollar for most of the day. After falling toward intra-day lows of \$887 around the PM fix, stronger crude prices in New York pushed gold slightly higher towards the closing bid of **\$893.30** — almost \$5 higher than the previous close. We see support for gold at \$888, with \$882 and \$873 as near-term possibilities. Primary resistance is seen at \$897, and secondary resistance at \$901. A break higher might see gold test \$910.

Silver traded just below \$17 for most of the day. The sell-off in gold in Europe in the afternoon pushed silver down to \$16.80. There was once again a sharp correction when gold was bid higher in New York and silver was bid as high as \$17.13. Silver then drifted slightly lower towards a close of **\$17.00**. Support for silver is seen at \$16.83, with \$16.64 and \$16.54 as possibilities. Primary resistance is seen at \$17.07, with secondary resistance at \$17.18. A break higher might see silver test \$17.40.

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	892.25	890.50	895.70	888.30	893.30	5.60	1.9/2.2
Silver	-	16.940	17.130	16.83	17.00	0.13	-3/-1.5
Platinum	1,969.00	1,964.00	1,970.00	1,965.00	1,965.00	14.00	5/9
Palladium	440.00	434.00	439.00	436.00	436.00	-4.00	2.0/4.0

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.6686	2.6700	2.6614	2.6571	2.6957
Silver	2.9886	2.9529	2.9314	2.8686	2.7729
USD Libor	2.8625	2.8838	2.8994	3.0419	3.1788

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.45	909.42	914.54	905.77	821.16	880.00	903.00
Silver	46.40	17.43	17.60	17.09	15.26	16.64	17.07
Platinum	51.25	2,001.70	2,000.65	1,845.15	1,603.72	1,931	1,989
Palladium	46.88	447.10	449.59	430.85	391.80	433	448

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	895.50	17.1230	440.80	1,978.60	893.50	2,993.00	895.50
Open Interest	420,208	127,469	19,452	13,825	3,852	177,512	12,039
Change in OI	-1,971	-3,238	-102	-184	-92	-308	-624
Date:	28-Apr-08						

* Open interest

Given the low volumes in the markets, **platinum** traded very erratically in a surprisingly narrow range (compared to recent intra-day trading ranges). The metal bounced between \$1,960 and \$1,975, following gold's trend. With very little to move the platinum price right now, one could expect the metal to continue looking to gold and the dollar for direction. Platinum closed at **\$1,965**. **Palladium** was even more directionless, with prices falling from around \$443 in early morning trade to \$434 at the PM fix. Palladium closed at a bid of **\$436** in New York. **Rhodium** fixed \$5 higher — at **\$9,135**.



Date/Time (SA)		Data/Event	Consensus	Previous
28-Apr				
—	ZAR	Public holiday	—	—
01:50	JPY	Large retailers' sales (Mar)	-0.2% m/m	1.3% m/m
01:50	JPY	Retail trade (Mar)	1.0% y/y	3.2% y/y
09:00	EUR	ECB's Trichet, Liescher and Wellink speak	—	—
10:30	EUR	ECB's Mersch and Hurley speak	—	—
11:45	EUR	Economic growth forecasts	—	—
29-Apr				
—	JPY	Public holiday	—	—
10:00	EUR	Eurozone retail PMI (Apr)	—	48.2
10:30	GBP	M4 money supply (Mar)	—	12.0% y/y
10:30	GBP	Net consumer credit (Mar)	£1.4bn	£2.4bn
10:30	GBP	Mortgage approvals (Mar)	67K	73K
10:45	GBP	BOE's King speaks	—	—
15:00	USD	S&P/CS Composite-20(Feb)	-11.9% y/y	-10.7% y/y
16:00	USD	Consumer conf. (Apr)	62.0	64.5
19:00	GBP	BOE's Blanchflower speaks	—	—
23:00	USD	ABC consumer conf. (Apr)	—	-40
30-Apr				
01:01	GBP	GfK consumer conf. (Apr)	-20	-19
01:15	JPY	Manufacturing PMI (Apr)	—	49.5
01:30	JPY	Jobless rate (Mar)	3.9%	3.9%
01:30	JPY	Household spending (Mar)	0.5% y/y	0.0% y/y
01:50	JPY	Industrial production (Mar)	2.0% y/y	5.1% y/y
04:00	JPY	BOJ rate decision (Apr)	0.50%	0.50%
08:00	ZAR	M3 money supply (Mar)	20.7	21.07% y/y
08:00	ZAR	Private sector credit (Mar)	20.4	20.79% y/y
11:00	EUR	Eurozone CPI est. (Apr)	3.4% y/y	3.5% y/y
11:00	EUR	Unemployment rate (Mar)	7.1%	7.1%
11:00	EUR	Consumer conf. (Apr)	-12	-12
11:00	EUR	Economic conf. (Apr)	99.0	99.6
13:00	USD	MBA mortgage apps (Apr)	—	-14.2%
14:00	ZAR	Trade balance (Mar)	-R5.1bn	-R5.8bn
14:15	USD	ADP employment (Apr)	-63K	8K
14:30	USD	GDP (1Q)	0.3% q/q	0.6% q/q
15:45	USD	Chicago PMI (Apr)	48.0	48.2
19:30	EUR	ECB's Garganas speak	—	—
20:15	USD	FOMC rate decision	2.00%	2.25%
01-May				
—	ZAR	Public holiday	—	—
01:01	GBP	BOE Financial Stability Report	—	—
10:30	GBP	PMI manufacturing (Apr)	50.8	51.3
13:30	USD	Challenger job cuts (Apr)	—	9.4% y/y
14:30	USD	Personal income (Mar)	0.4% m/m	0.5% m/m
14:30	USD	Personal spending (Mar)	0.2% m/m	0.1% m/m
14:30	USD	Initial jobless claims (Apr)	—	342K
14:30	USD	Continuing claims (Apr)	—	2,934K
16:00	USD	ISM Manufacturing (Apr)	48.0	48.6
02-May				
—	ZAR	Public holiday	—	—
10:00	EUR	PMI manufact. (Apr)	50.8	50.8
10:30	GBP	PMI construction (Apr)	—	47.2
14:30	USD	Nonfarm payrolls (Apr)	-75K	-80K
14:30	USD	Unemployment rate (Apr)	5.2%	5.1%
14:30	USD	Manufact. Payrolls (Apr)	-40K	-48K



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