

December 1st 2008

Precious metals daily update

Gold finds late support

Despite US markets that re-opened on Friday (after Thursday's holiday), interest in precious metals was limited, with most players preferring the sidelines. Although volatility increased when US markets opened, interest remained sluggish. Gold managed to end the day at **\$819**.

While demand had remained depressed since Thursday, there have been production developments for precious metals in South Africa. Firstly, Lonmin announced that it would proceed with plans to lay off 4,000 workers at the Marikana mine. While labour unions are protesting, they are only delaying the inevitable. Should PGM prices remain low, Lonmin will not be the only large PGM producer to cut labour as production comes under pressure. Secondly, the South African Chamber of Mines has said that SA's gold production has fallen 16.2% y/y in Q3:08. One of the main reasons cited for the lower production was the electricity cutbacks forced on mines by Eskom. Global gold mine supply, led by South Africa, has been in a steady decline since 2001.

As for crude oil, OPEC decided at its extraordinary meeting at the weekend to postpone any decision on production cuts to its next meeting scheduled for December 17th. Ahead of the weekend, the market seemed split on what OPEC might decide; therefore, crude oil prices could move lower today.

On the data front, look out for the US and Eurozone PMI manufacturing indices for November. While the data should signal manufacturing sectors that are still in contraction, the big question will be which economy's sector has contracted the most.

Gold started the day very quietly. In Tokyo, the metal barely moved, trading at \$813 – \$816. This continued into European trade. But the dollar depreciated from around \$1.2900 against the euro, all the way to \$1.2700 by the time US markets opened on Friday (the NYSE had a shortened session). This resulted in some volatility. As a result, gold that bounced from lows around \$811 to a closing bid of **\$819**. Buying support continued in the aftermarket. Primary support is at \$811, with secondary support at \$805 and \$795. Resistance is at \$822, \$827 and \$837.

Silver saw little action; the metal was steadily bid lower throughout the day. Some buying returned when gold

| Prices (USD) | | | | | | | |
|--------------|--------|--------|----------|-----------|-----------|--------------|---------|
| Metal | AM Fix | PM Fix | High bid | Low offer | Close bid | Daily change | EFP's |
| Gold | 813.50 | 814.50 | 820** | 812.00 | 819.00 | 5.00 | 0.5/0.9 |
| Silver | - | 10.120 | 10.360 | 10.160 | 10.230 | -0.03 | -1/1 |
| Platinum | 858.00 | 876.00 | 876.00 | 864.00 | 876.00 | 16.00 | 4 / 7 |
| Palladium | 186.00 | 187.00 | 190.00 | 190.00 | 187.00 | 0.00 | -1/2 |

** Gold aftermarket high bid/offer in New York: \$820.50/\$821.50

| Forwards (%) | | | | | |
|--------------|---------|----------|----------|----------|-----------|
| Metal | 1 month | 2 months | 3 months | 6 months | 12 months |
| Gold | 0.2633 | 0.2600 | -0.0743 | 0.5257 | 0.9683 |
| Silver | 0.1743 | 0.1529 | 0.2057 | 0.3929 | 0.4543 |
| USD Libor | 2.4638 | 2.6713 | 2.8038 | 3.0938 | 3.2406 |

| Technical indicators | | | | | | | |
|----------------------|-----------|-----------|-----------|------------|------------|---------|------------|
| Metal | 30-dayRSI | 10-day MA | 20-day MA | 100-day MA | 200-day MA | Support | Resistance |
| Gold | 52.81 | 784.56 | 760.55 | 827.15 | 872.27 | 811.00 | 822.00 |
| Silver | 46.78 | 9.87 | 9.87 | 12.62 | 15.21 | 10.15 | 10.40 |
| Platinum | 42.64 | 841.70 | 841.13 | 1,214.55 | 1,624.34 | 850 | 890 |
| Palladium | 41.20 | 195.48 | 205.84 | 262.00 | 360.27 | 187 | 193 |

| Active Month Future | | | | | | | |
|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|---------------------|--------------------|
| | Comex GLD Feb'09 | Comex SLV Feb'09 | NYMEX PAL Jan'09 | NYMEX PLAT Jan'08 | DGCX GLD Dec'08 | TOCOM GLD Jan'09 | CBOT GLD Feb'08 |
| Settlement | 811.30 | 10.2690 | 191.65 | 869.70 | 825.00 | 2,483.00 | 811.00 |
| Open Interest | 276,092 | 86,180 | 20,676 | 17,313 | 899 | 72,074 | 4,850 |
| Change in OI* | -471 | -698 | 7,382 | -45 | 40 | -21 | -609 |
| Date: | 27-Nov-07 | | | * Open Interest | | | |

moved higher, pushing the metal from lows around \$10.15 to a closing bid of **\$10.23**.

Platinum followed gold sideways for most of the morning. The metal traded around \$860 in Tokyo and London. Late buying when US markets opened pushed the metal higher. Platinum managed to fix at **\$876** in London in the afternoon.

Palladium lacked direction, and traded erratically throughout the day. Palladium opened at a bid of \$190 in Tokyo, and fixed at **\$187** in the afternoon in London.

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