

December 2nd 2008

Precious metals daily update

Precious metals take punishment

Precious metals encountered head winds yesterday as investor risk aversion took a turn for the worse. US investment grade credit spreads widened 25 bps yesterday — flagging credit market tensions. To make matters worse, a volatile greenback swung between \$1.2710 and \$1.2582 against the euro, keeping investors at bay. Ongoing volatility could put precious metals under more strain today. Also, the downward spiral in crude oil could further strain sentiment towards PGM. Note that WTI crude oil prices have slipped from \$53/bbl in Asia to \$47/bbl overnight.

Yesterday's economic data releases did little to smooth matters. The US November ISM manufacturing index fell to 36.2, from 38.9. Eurozone ISM manufacturing also declined in November, to 35.6 from 36.2. Contracting ISM data reflect weakening demand-side pressures, which could expose industrial metals, including silver and PGM, to more downside pressure in the short run. Look out for US November vehicle sales data for clues on PGM demand-side activity. Eurozone October PPI data is due for release today (forecast: a 0.3% m/m decline). A surprise on the downside could mean more ECB rate cuts.

Investors should adopt a cautious strategy today and monitor credit market developments — increased credit market tension could compromise precious metal investment flows, which could mean yet further price declines.

Gold opened the day at \$818 in Asia before drifting lower and settling at \$795 at the AM fix. Fund liquidation, amid increased investor uncertainty, took the metal lower in London — falling to \$778 at the pm fix. This trend continued in New York, where the metal dived to \$769 before consolidating at **\$777**. Overnight, prices dipped to \$763 before bargain buying pushed the metal to \$778. Primary support is at \$759, with secondary support at \$745 and \$713. Resistance is at \$791, \$809 and \$841.

Silver tracked throughout Asian and London trading, sliding from \$10.30 to \$9.82, before rapidly falling to \$9.20 ahead of New York trading where it drifted sideways and settled at **\$9.38**. Support and resistance are at \$9.08 and \$9.80 respectively.

Platinum followed the rest of the commodity complex

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	795.50	778.00	814.50	768.80	777.00	-33.25	0.3/0.70
Silver	-	9.910	10.230	9.22	9.38	-0.85	-2.0/0.0
Platinum	822.00	810.00	865.00	808.00	803.00	-57.00	3/6
Palladium	181.00	174.00	186.00	178.00	175.00	-20.00	-1/2

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	0.2125	0.2100	0.2800	0.4900	0.9400
Silver	0.1640	0.1940	0.2420	0.3800	0.4200
USD Libor	2.4638	2.6713	2.8038	3.0938	3.2406

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	47.68	787.33	762.70	825.02	871.62	759	791
Silver	41.46	9.85	9.85	12.52	15.17	9.06	9.80
Platinum	38.63	837.17	839.16	1,195.88	1,613.37	796	832
Palladium	38.83	190.78	205.10	258.59	358.03	171	184

Active Month Futures							
	Comex GLD Dec'08	Comex SLV Dec'08	NYMEX PAL Dec'08	NYMEX PLAT Oct'08	DGCX GLD Oct'08	TOCOM GLD Jun'09	CBOT GLD Dec'08
Settlement	776.80	9.3800	175.65	809.90	-	2,430.00	768.50
Open	271,683	84,202	13,247	17,259	828	74,082	4,616
Interest							
Change in OI	-4,880	-2,676	-47	-99	-31	1,987	-843
Date:	01-Dec-08						

lower yesterday, sliding from \$857 in Asia to **\$803** at the New York close. Although prices found support overnight, bouncing from \$789 to \$824, momentum has since stabilized. With US vehicle sales due today, some investors may watch from the sidelines.

Palladium tracked platinum lower, falling from \$189 in Asia to **\$175** at the New York close.

Rhodium was fixed at **\$1,065** in New York.

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



Date/Time (GMT+2)	FX	Data/Event	Consensus	Previous
01-Dec				
11:00	ZAR	Investec PMI (Nov)	—	46.2
11:00	EUR	PMI manufacturing (Nov)	36.2	36.2
11:30	GBP	PMI manufacturing (Nov)	39.5	41.5
11:30	GBP	M4 money supply (Oct)	—	15.1% y/y
17:00	USD	ISM Manufacturing (Nov)	37.5	38.9
20:45	USD	Fed's Bernanke, Fisher speak	—	—
22:00	USD	Treasury's Paulson speaks	—	—
02-Dec				
11:00	ZAR	Naamsa vehicle sales (Nov)	—	-30.1% y/y
11:00	ZAR	SBK house price ind (Nov)	—	-2.5% y/y
12:00	EUR	PPI (Oct)	7.1% y/y	7.9% y/y
18:30	USD	Treasury's Paulson speaks	—	—
19:30	USD	Fed's Plosser speaks	—	—
00:00	USD	ABC consumer conf (Dec)	—	-52
03-Dec				
11:00	EUR	PMI services (Nov)	43.3	43.3
12:00	EUR	Retail sales (Oct)	-1.4% y/y	-1.6% y/y
14:30	USD	Challenger job cuts (Nov)	—	78.9% y/y
15:15	USD	ADP employment (Nov)	-195K	-157K
11:30	USD	Nonfarm productivity (Q3)	0.9% q/q	1.1% q/q
17:00	USD	ISM non-manf. Composite (Nov)	42.0	44.4
17:15	USD	Fed's Kroszner speaks	—	—
19:30	USD	Fed's Lacker speaks	—	—
21:00	USD	Fed's Beige Book	—	—
04-Dec				
12:00	EUR	GDP (Q3)	-0.2% q/q	-0.2% q/q
14:00	GBP	BOE rate decision	2.00%	3.00%
14:45	USD	ECB rate decision	2.75%	3.25%
15:30	USD	Initial jobless claims (Nov)	540K	529K
15:30	USD	Continuing claims (Nov)	4,000K	6,962K
15:30	EUR	ECB's Trichet speaks	—	—
17:45	USD	Fed's Evans speaks	—	—
18:15	USD	Fed's Bernanke speaks	—	—
23:30	USD	Fed's Kroszner speaks	—	—
05-Dec				
08:00	ZAR	Net reserves (Nov)	—	\$32.1bn
08:00	ZAR	Gross reserves (Nov)	—	\$32.9bn
15:30	USD	Nonfarm payrolls (Nov)	-325K	-240K
15:30	USD	Manufact. payrolls (Nov)	-77K	-90K
15:30	USD	Unemployment rate (Nov)	6.8%	6.5%
22:00	USD	Consumer credit (Oct)	\$1.5bn	\$6.9bn



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