

July 21st 2008

Precious Metals Daily

## Metals subdued as greenback gains traction

Precious metals strained on Friday as the strengthening dollar kept investment fund flows into the commodity complex subdued. After trading at \$1.5866 during the Asian session, the greenback strengthened to an intraday high bid of \$1.5808 in London before easing to \$1.5832 in late New York trading on profit-taking ahead of the weekend. The June US leading indicators index, due to be released today, could provide direction for the greenback today. Market expectations are for a 0.1% decline — a surprise on the downside could see the US currency lose more ground today; this could put precious metals under more strain. We view the indicator also important to the outlook for PGM demand.

Furthermore, oil prices kept easing — from a high bid of \$132/bbl, to \$128/bbl in New York. However, risks of UN sanctions against Iran have intensified after Iran ignored calls from the US undersecretary of state to curb its uranium enrichment program. This should inflate the geopolitical risk premium in crude oil prices — which could see prices rebound today. Such higher oil prices could also exert further stress in equity markets, after moderate gains were realised in Europe and Asia on Friday.

We note that the 5-year investment grade CDX index spread has receded 2.78 bps — indicating some easing in financial market systemic and credit risk. The increased risk has provided support to the metals on the downside.

**Gold** range-traded between \$960 and \$955 throughout the Asian trading session before being bid firmer, at \$961, at the London AM fix, and then slightly lower, at \$959, at the PM fix. With no US economic data releases on Friday, the market traded on technical momentum which led prices to swing between \$962 and \$950 before settling at **\$957.20** at the close — shedding \$2 in the aftermarket. Support is at \$956 today, with \$953 – \$947 a possible secondary support band. Primary resistance is at \$962, with a secondary resistance band at \$964 – \$969.

**Silver** prices were biased on the downside on Friday after gold and 3-month LME copper prices were pressured by the US dollar. After trending sideways throughout the Asian session, the metal fell from a high bid, at \$18.63, in London to **\$18.16** at the New York close. Support for silver is at \$18.18 today, with \$18.10 and \$17.97 as possi-

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	961.50	959.75	964.50	950.50	957.20	-12.80	0.1/4
Silver	-	18.550	19.440	18.07	18.16	-0.57	5/6
Platinum	1,872.00	1,849.00	1,870.00	1,850.00	1,854.00	-41.00	2/6
Palladium	423.00	419.00	422.00	416.00	415.00	-9.00	1.0/4.0

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.4571	2.5657	2.6443	2.8014	2.9114
Silver	2.8643	2.8743	2.9043	2.9629	3.0429
USD Libor	2.4594	2.6613	2.7906	3.1000	3.2569

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	57.28	954.22	938.35	917.47	882.69	956	962
Silver	53.56	18.47	18.04	17.75	16.62	18.18	18.31
Platinum	40.99	1,949.55	1,994.76	2,019.92	1,817.80	1,852	1,865
Palladium	41.46	437.45	450.45	451.08	420.45	413	419

Active Month Futures							
	Comex GLD Aug'08	Comex SLV Sept'08	NYMEX PAL Sep'08	NYMEX PLAT Jul'08	DGCX GLD Aug'08	TOCOM GLD Jun'09	CBOT GLD Aug'08
Settlement	958.00	18.2000	416.60	1,855.30	956.40	3,293.00	957.50
Open Interest	495,802	143,375	15,357	14,217	2,664	160,013	11,335
Change in OI	10,736	1,034	-266	230	4	-3,471	-8
Date:	18-Jul-08						

\* OI: Open interest in US

bilities. Primary resistance is at \$18.31, with a secondary resistance band at \$18.36 – \$18.49.

**Platinum** was kept under pressure following fears of a slowdown in industrial demand growth throughout last week amid a public announcement by Eskom, South Africa's power utility, of reduced power supply risks through the country's winter season. Prices were softer, at **\$1,854**, at the New York close. The US leading indicators index should give further clues on economic activity. A surprise on the upside should attract bargain fund buying interest at current price levels **Palladium** closed weaker, at **\$415**, in New York.

**Rhodium** was fixed lower, at **\$9,510** in New York.

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Date/Time (GMT+2)		Data/Event	Consensus	Previous
<b>21-Jul</b>				
—	JPY	Public holiday	—	—
01:01	GBP	House prices (Jul)	—	0.1% y/y
16:00	USD	Leading indicators (Jun)	-0.1% m/m	0.1% m/m
<b>22-Jul</b>				
01:50	USD	Industry activity ind. (May)	0.4% m/m	0.8% m/m
14:10	USD	Treasury's Paulson speaks	—	—
14:30	USD	Fed's Plosser speaks	—	—
16:00	USD	Richmond Fed Manufacturing index (Jul)	-10	-12
16:00	USD	House price index (May)	—	-0.8% m/m
23:00	USD	ABC consumer conf. (Jul)	-41	-41
<b>23-Jul</b>				
10:30	GBP	BOE July meeting minutes	—	—
11:00	EUR	Industrial new orders (May)	—	11.7% y/y
13:00	USD	MBA mortgage apps. (Jul)	—	1.7%
15:00	USD	Fed's Mishkin speaks	—	—
17:15	USD	Fed's Kohn speaks	—	—
20:00	USD	Fed's Beige Book	—	—
<b>24-Jul</b>				
01:50	JPY	Total trade balance (Jun)	¥506.0bn	¥365.6bn
03:00	JPY	BOJ's Atsushi speaks	—	—
<b>09:30</b>	<b>ZAR</b>	<b>Civil cases for debt (May)</b>	—	<b>1.4% y/y</b>
10:00	EUR	Eurozone C/A (May)	—	-€9.2
10:00	EUR	PMI manufacturing (Jul)	48.6	49.2
10:00	EUR	PMI services (Jul)	48.6	49.1
10:30	GBP	Retail sales (Jun)	4.1%	8.1%
14:30	USD	Initial jobless claims (Jul)	—	366K
14:30	USD	Continuing claims (Jul)	—	3,122K
16:00	USD	Existing home sales (Jun)	-1.1% m/m	2.0% m/m
16:00	USD	Fed's Geithner speaks	—	—
<b>25-Jul</b>				
01:30	JPY	CPI (Jun)	1.9% y/y	1.3% y/y
10:00	EUR	M3 money supply (Jun)	10.3% y/y	10.5% y/y
10:30	GBP	GDP (2Q)	1.6% y/y	2.3% y/y
14:30	USD	Durable goods (Jun)	-0.3% m/m	0.0% m/m
16:00	USD	UoM confidence (Jul)	56.3	56.6
16:00	USD	New home sales (Jun)	-1.5% m/m	-2.5% m/m



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