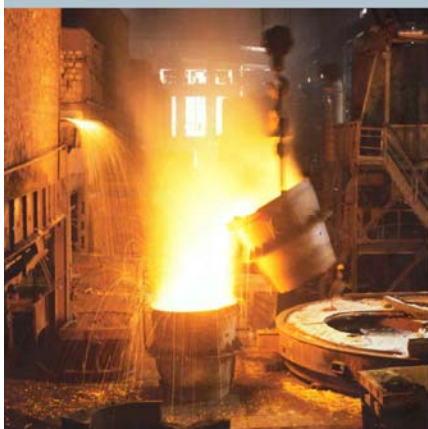


19 June 2009



Focus: Summer Sales - With the rest of the global economy still in the process of finding its feet, the absence of Chinese buying activity over the past week has seen liquidation start to emerge across much of the complex.

- **Precious metals were subdued yesterday.**
- **Technical momentum signals could dominate activity today** — especially if the greenback remains in a narrow range.
- **Silver fell from \$14.42 in Asia to \$14.14 in New York.**
- **Platinum slid from \$1,219 in Asia to \$1,202 in late London trade before jumping back to \$1,213** — supported by the bullish US Leading Indicators data.
- Following yesterday's positive US economic data, the **front-month WTI/Brent spread leaped back into positive territory this morning**, at \$0.14/bbl — signaling increased US implied crude oil import demand.
- Thursday saw much of the base metals complex stabilise and recover slightly after the recent selling pressure, buoyed by much better than expected US economic data. That strength has continued, with the metals making further gains heading into Friday afternoon.

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Commodity price data (18 June 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,630	1,643	1,647	1,620	20	1.23	1,589.50	27	-29.75
Copper	4,921	4,975	5,009	4,890	10	0.20	4,901.00	-2	-22.50
Lead	1,660	1,680	1,685	1,649	14	0.84	1,639.00	29	-25.00
Nickel	14,800	15,015	15,155	14,750	155	1.04	14,760.00	110	-90.00
Tin	15,200	14,975	15,200	14,850	-150	-0.99	14,900.00	20	-20.00
Zinc	1,564	1,563	1,585	1,545	8	0.51	1,516.00	-4	-27.50

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	71.37	71.38	71.38	71.11	0.32	0.45%	45.00	45.00	46.00
NYMEX WTI	71.35	71.55	71.69	71.33	0.18	0.25%	42.00	41.00	40.00
ICE Gasoil	583.25	585.25	585.25	583.25	0.25	0.04%	39.00	39.00	38.00
API2 Q3'09	69.20	64.23	-	-	-4.97	-7.74%	-	-	-
ICE EUA Dec09	12.97	13.06	-	-	0.09	0.69%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	936.75	940.50	941.40	931.00	934.00	-1.50	0.30/0.70
Silver	-	14.23	14.39	14.16	14.24	-0.04	-3.00/-1.00
Platinum	1,206.00	1,206.00	1,215.00	1,206.00	1,205.00	3.00	2/4
Palladium	241.50	242.00	243.00	241.00	239.00	-2.00	0/3

Sources: Standard Bank; LME; Bloomberg

Please refer to the disclaimer at the end of this document.



Focus: Summer sales

The UK high street has seen the traditional summer sale period start earlier than usual, as consumers remain reluctant to splash the cash. However, unlike the London department store Selfridges, whose traditional summer sale - a week earlier than usual - had people queuing down Oxford Street, the base metals are proving much less attractive of late.

The main factor has been the decline in Chinese buying activity over the past week or so, due to the lack of a SHFE-LME arbitrage for Copper and Zinc, and ahead of the slower summer period. With the rest of the global economy still in the process of finding its feet, the absence of Chinese buying has seen liquidation start to emerge across much of the complex.

The chart plots 3-month copper prices vs. total open interest, since the beginning of April. The steady gains in both prices and open interest towards the end of May - indicating fresh long positions being added - have given way to falling prices and falling open interest - indicating long liquidation. This pattern is also being repeated across most of the other base metals.

Medium to longer term we remain bullish towards the base metals complex generally, but especially so for Copper, Tin and Zinc. However, short term at least, the Chinese appear happy to stay on the sidelines leaving nearby fundamental support thin on the ground.

Base metals

Thursday saw much of the base metals complex stabilise and recover slightly after the recent selling pressure, buoyed by much better than expected US economic data. Given the poor start to the week, some profit taking also emerged on Thursday afternoon, with everything except Tin closing in positive territory. That pattern has continued into early trade on Friday. The US dollar has again been the main driver, though further profit taking may emerge as the afternoon wears on.

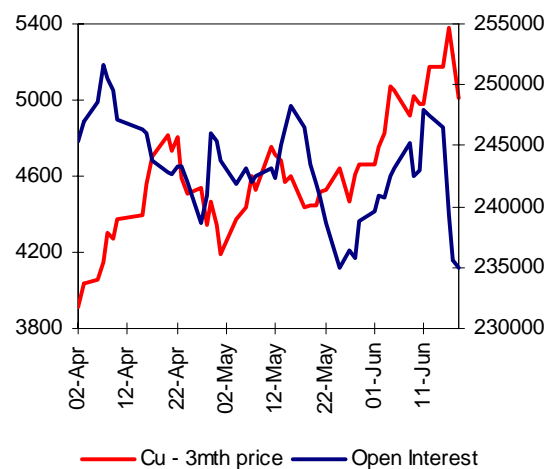
The various US data on Thursday was much better than expected. The Philadelphia Fed climbed to -2.2 from -22.6 in May, well above consensus estimates of an improvement to -17. Initial Jobless Claims were slightly more than expected, however this was more than offset by a large drop in Continuing Claims which fell to 6.69 million, the lowest level in 4 months. The US Leading Indicators also rose more than forecast, climbing 1.2% in May, following an upwardly revised 1.1% gain in April. There are no major economic data releases this afternoon, putting extra emphasis on the currencies and technical signals.

Aluminium has continued to be very strong, closing near its highs on Thursday. The light metal has continued to push higher on Friday, climbing over 2% heading into the afternoon. Elsewhere, Lead has built on Thursday's 0.8% gain, climbing back above \$1,700 in spite of a 1,425 mt increase in available LME inventory. Zinc and Nickel are also posting similar magnitude gains.

Copper has also started strongly on Friday, climbing back above \$5,000 once again, in spite of reports that the SRB may cease purchasing the metal. According to newswire reports, China's SRB will probably stop buying copper over the next few months. While initially a bearish signal, the reports essentially just tie in with what has been observed in the physical markets recently. Given that Shanghai copper inventories climbed again this week, gaining 7,889 mt to 68,536 mt - the highest level since August 2007 - it appears that China is relatively well supplied, therefore a pause is to be expected. The key questions remain however at what point does Chinese buying return, and can investor interest can keep prices steady-ish in the interim?

Elsewhere, recent power problems in Zambia resulted in Vedanta Resources' Konkola copper mine experiencing severe flooding, particularly around the 3,150 meter level. The mine is currently pumping out the water that accumulated. The full impact in terms of production losses is expected to be announced shortly. Meanwhile, Nippon Mining has cut output slightly at its Saganoseki smelter, after the company was forced to suspend the unloading of concentrate from a ship where a fatal accident took place. The full impact on production depends on whether unloading can continue on Monday.

LME 3-month Copper price vs. Open Interest



Source: Standard Bank, LME

With investors also still focused firmly on the short term picture, it appears the consensus is that there are few bargains to be had at the moment. That said, come 2011, this summer may be viewed very differently indeed.

By Leon Westgate

By Leon Westgate

Precious metals

Precious metals were subdued yesterday as the greenback ranged between \$1.3907 and \$1.3933 against the euro in Asia and London before climbing to \$1.3872 in New York. The May US Leading Indicators Index surprised on the upside, rising 1.2% m/m (consensus: 1.0% m/m). This supported risk appetite, which weighed on precious metals in New York. With ETF investment flows stagnating (the SPDR gold shares ETF hasn't attracted new investment since 5 June), physical buying at lower price levels supported gold in NY. Gold slipped from \$943 in Asia to \$935 in London and then to \$929 in NY. Increased physical buying saw gold climb back to \$935 in Asia this morning before it drifted sideways in London. With no major economic data today, **technical momentum signals could dominate activity** — especially if the greenback remains in a narrow range. With US equity index futures pricing in gains later today, gold could come under pressure ahead of NY trade. Support and resistance are at \$927 and \$942 respectively.

Silver fell from \$14.42 in Asia to \$14.14 in New York. Overnight, the metal climbed back to \$14.28 in Asia before trading between \$14.17 and \$14.26 going into London trade this morning. The gold:silver ratio steadied around 65 this morning after having risen to 66.30 yesterday — a signal that investors are tracking gold's movements for directional clues. Support and resistance are at \$14.11 and \$14.39 respectively.

Platinum slid from \$1,219 in Asia to \$1,202 in late London trade before jumping back to \$1,213 — supported by the bullish US Leading Indicators data. After coming under pressure in the aftermarket, platinum found support at \$1,203 in Asia this morning — rising back to \$1,215 ahead of London trade as WTI crude oil prices rose from \$71.36/bbl to \$71.87/bbl. Higher crude oil prices today should support PGM investment sentiment. Platinum support and resistance are at \$1,203 and \$1,220.

Palladium also found support at \$239 in early Asian trade, climbing to \$243. Palladium investment holdings held by ETF Securities (Ltd) in New York have gained 3.2% since 16 June to a record 319,451oz. This should support palladium today. Support and resistance are at \$238 and \$245 respectively.

By Manqoba Madinane

Energy

Crude oil was boosted by the better-than-expected 1.2% m/m gain in the US Leading Indicators. US Philadelphia Fed business activity index also climbed, to its highest level since September 2008 — albeit still in negative territory, at -2.2. Front-month WTI crude oil subsequently climbed from \$70.23/bbl to \$71.76/bbl during the New York session. Investor optimism, following on from US equity market gains, spilled over into Asian trade this morning. The front-month WTI contract rose to \$71.90/bbl. Equity index futures are pricing in gains in US and European gains, which should spur investor optimism at the front-end of the crude oil forward curve. Following yesterday's positive US economic data, the **front-month WTI/Brent spread leaped back into positive territory this morning**, at \$0.14/bbl — signaling increased US implied crude oil import demand. Support and resistance for front-month WTI crude oil are at \$71.00/bbl and \$72.09/bbl respectively.

Thermal coal contract prices were mixed yesterday as the front-end of the API2(CIF) forward curve came under pressure, whilst that of the API4(FOB) forward curve firmed after a steep decline on Wednesday. API4(FOB) for Q3:09 delivery gained \$0.50/mt, to \$59.75/mt. API2(CIF ARA) slipped \$0.50/mt, to \$63.73/mt. The World Bank has approved a \$180 million loan for the modernization of inefficient Indian thermal coal power plants. This could weigh on the back-end of the coal forward curve, as more efficient power plants implies less coal usage — weighing on longer-term Indian thermal coal import demand. The front-end of the thermal coal forward curve should still benefit from increased crude oil prices.

Despite the recovery in crude oil prices, **carbon emissions contract prices were under pressure again yesterday.** Active-year ICE EUA slipped EUR0.15/mtCO₂, to EUR12.91/mtCO₂. UN-backed CER for December 2009 shed EUR0.16/mtCO₂, to EUR11.00/mtCO₂.

By Manqoba Madinane

Base metals

Daily LME stock movement (mt)

Metal	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled warrants (mt)	Cancelled warrants (%)	Contract turnover
Aluminium	4,371,775	4,359,100	18,525	5,850	12,675	2,042,875	107,000	2.45	219,229
Copper	281,600	283,175	250	1,825	-1,575	-58,175	17,125	6.08	77,721
Lead	84,375	84,200	175	0	175	39,225	75	0.09	23,873
Nickel	108,162	108,186	198	222	-24	29,772	3,012	2.78	38,329
Tin	16,865	16,250	615	0	615	9,075	720	4.27	11,157
Zinc	337,925	336,450	1,950	475	1,475	84,425	6,525	1.93	69,764

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	13,450	13,430	5	Ali June'09	75	75.00	0.50	0.67%
Copper	39,330	39,230	20	Cu June'09	228	227.00	-1.20	-0.53%
Zinc	13,450	13,380	-55					

ZAR metal prices (18 June 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,969	39,987	13,373	120,427	121,569	12,369	8.1590
3-month	13,625	41,257	13,932	124,516	124,185	12,962	8.2928

Energy

Energy futures pricing	Price Change		Price Change		Price Change		Price Change		Price Change	
	1-month forward	2-month forward	3-month forward	6-month forward	1-year forward					
Sing Gasoil (\$/bbl)	76.66	-0.08	78.67	1.02	79.06	0.87	82.38	0.93	87.27	0.74
Gasoil 0.1% Rdam (\$/mt)	585.25	0.25	596.50	0.25	607.00	0.25	633.00	6.25	669.00	5.50
NWE CIF jet (\$/mt)	626.60	3.70	646.33	6.35	653.75	6.50	681.45	6.25	719.17	5.50
Singapore Kero (\$/bbl)	76.74	0.14	80.27	1.22	81.11	0.92	84.95	1.07	89.77	0.79
3.5% Rdam barges (\$/mt)	370.32	-3.18	380.04	8.47	379.49	7.88	383.66	6.26	399.13	4.61
1% Fuel Oil FOB (\$/mt)	379.97	-1.25	391.54	6.22	399.24	6.63	417.91	5.76	443.63	3.61
Sing FO 380 Cargo (\$/mt)	402.04	7.72	399.99	7.38	400.68	7.27	406.95	5.98	422.54	5.25
Sing FO180 Cargo (\$/mt)	398.75	2.18	405.50	7.97	404.75	7.63	410.00	6.26	422.54	5.25
Thermal coal	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	63.73	-0.50	73.50	-0.25	95.25	-0.50	102.02	0.25	106.85	0.35
API4 (FOB RBCT)	59.75	0.50	68.75	0.25	87.00	0.00	93.01	0.50	97.35	0.10
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	12.77	-0.08	12.91	-0.15	13.48	-0.14	14.10	-0.17	15.00	-0.18
ICE - ECX CER (€/mt)	11.05	-0.05	11.00	-0.16	10.97	-0.04	11.14	-0.06	11.52	-0.03

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.37857	0.40857	0.47714	0.56286	0.76714		
Silver	0.42143	0.44000	0.48857	0.51429	0.62286		
USD Libor	0.31500	0.44625	0.60875	1.16125	1.68875		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	50.73	942.42	954.56	926.55	873.29	927.00	942.00
Silver	51.31	14.67	14.98	13.55	12.15	14.11	14.39
Platinum	54.70	1,233.85	1,218.39	1,128.60	1,023.75	1,203.00	1,220.00
Palladium	53.43	248.34	244.50	222.26	208.67	238.00	245.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Aug'09	Jul'09	Jul'09	Jul'09	Jun'09	Apr'10	Jun'09
Settlement	934.60	14.2100	242.00	1,207.60	934.70	2,914.00	934.40
Open Interest	375,836	108,158	16,180	24,014	822	99,819	3,363
Change in Open Interest	3,839	4,177	-285	113	53	-820	-298

Date: 18 June 2009

Sources: Standard Bank; LME; Bloomberg

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