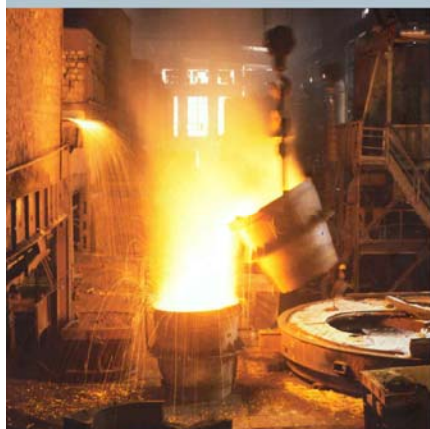


22 June 2009



Focus: Chinese refined copper imports Chinese imports of refined copper have surged this year, on the back of strategic stockpiling by the SRB, consumer re-stocking, increased demand due to infrastructure spending, and a conducive SHFE-LME arbitrage. We expect imports to decline markedly over the next few months, but anticipate a recovery towards the end of this year.

- The base metals ended Friday on a positive note, but have since come under heavy pressure on Monday due to a stronger dollar and concerns over Chinese demand.
- A rally in Asian and European equity markets put pressure on gold on Friday; the metal bounced between \$931 and \$938.
- Silver tracked gold on Friday, slipping from \$14.37 in New York to \$14.20 at the close. Silver has since slid to \$13.98 this morning.
- The fall in crude oil prices on Friday saw platinum slide from \$1,217 to \$1,205 in New York before nose-diving to \$1,195 this morning.
- The WTI/Brent differential has climbed back to \$0.45/bbl, after briefly slipping into negative territory on Friday, which signals improved US implied import demand. Thermal coal prices also came under pressure on Friday as lower crude oil prices weighed on sentiment.

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Commodity price data (19 June 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,657	1,680	1,680	1,633	37	2.25	1,642.00	53	-29.50
Copper	4,990	5,030	5,047	4,927	55	1.11	5,020.00	119	-21.50
Lead	1,690	1,696	1,715	1,665	20	1.19	1,700.00	61	-23.50
Nickel	15,200	15,200	15,299	14,875	195	1.30	15,200.00	440	-90.00
Tin	15,000	14,900	15,000	14,750	-125	-0.84	15,000.00	100	-17.00
Zinc	1,592	1,576	1,595	1,562	13	0.83	1,561.00	45	-28.00

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	69.47	69.28	69.49	68.85	0.09	0.13%	45.00	45.00	46.00
NYMEX WTI	69.89	69.28	69.89	69.05	-0.27	-0.39%	42.00	41.00	40.00
ICE Gasoil	568.25	565.75	568.25	565.75	-17.50	-3.09%	39.00	39.00	38.00
API2 Q3'09	64.23	63.38	-	-	-0.85	-1.34%	-	-	-
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	933.75	935.25	938.80	933.25	935.80	1.80	0.30/0.70
Silver	-	14.07	14.36	14.15	14.20	-0.04	-3.00/-1.00
Platinum	1,209.00	1,212.00	1,212.00	1,208.00	1,207.00	2.00	2/4
Palladium	241.00	243.00	244.00	242.00	243.00	4.00	0/3

Sources: Standard Bank; LME; Bloomberg

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



Focus: Chinese copper imports

Chinese imports of refined copper have surged this year (see Chart), on the back of strategic stockpiling by the SRB, consumer restocking, increased demand due to infrastructure spending, and a conducive SHFE-LME arbitrage.

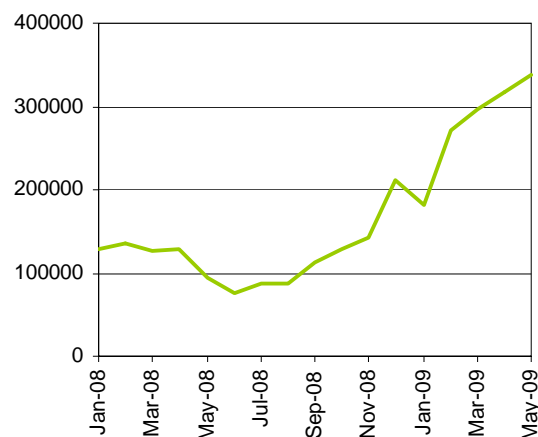
Imports of refined copper in May climbed to 337.2 kt - up 6.1% m-o-m and 258% y-o-y. The latest monthly figure brings the total y-t-d refined import figure for 2009 to 1.403 million tonnes, not far off the total refined copper import figure of 1.458 million tones for 2008.

Over the past few weeks however, the SHFE-LME arbitrage has closed and swung the other way, with LME material trading at a premium to SHFE. Stocks of copper on the SHFE have also started to build strongly suggesting China is, for the moment at least, well supplied, while physical premiums have also collapsed. Given that we are also approaching the traditionally slower summer period, we would expect imports to decline over the coming months.

Looking at 2008, it is easiest to split the year into thirds rather than quarters. Imports during the May-August period (middle third) were very weak, totalling 345.1 kt, some 33% lower than the first four months of the year. However, imports picked up strongly in the final third of the year (in spite of the price collapse and turmoil in the markets) totalling 594.4 kt, up 72% from the middle third.

We note that the first third of 2009 was distorted to some extent by a shortage of copper scrap and by strategic stockpiling. We therefore

Chinese refined copper imports Jan 2008 - current



Source: Standard Bank, Bloomberg

expect imports to decline markedly over the summer months - hurting near-term sentiment. However, given that China is maintaining growth by boosting infrastructure spending - to help offset the impact of the global downturn on its export markets - a similar pattern to 2008 may emerge in 2009, with imports rising strongly after the summer hiatus. This should see demand, and prices pick up again towards the end of the year.

By Leon Westgate

Base metals

Friday was dominated a rally in the euro which, combined with shorts taking profits after a poor week, saw most of the complex finish the week on a positive note. Volumes were much more subdued however, with turnover of Copper Aluminium and Zinc on LME Select only around half what was seen on previous days. While last week ended on a high, Monday has seen the base metals come under heavy selling pressure from a combination of a stronger dollar and concerns over the short-term outlook for Chinese metals demand.

Monday has seen Copper fall sharply during Asian trading on the back of concern that the summer slowdown has arrived, and that Chinese demand for the red metal is heading for a pause after the latest glut of copper imports - see focus section. Prices have stabilised however, with a 3,575 mt fall in available LME inventories, and technical support helping to shore up the metal. In other news, Nippon Mining and Metals has said it will resume the unloading of copper concentrate from a ship at its Saganoseki smelting complex, after a fatal accident last week triggered a suspension.

Aluminium has also fallen sharply, with the dollar again proving the main source of price direction for the metal. Also hurting sentiment is confirmation from the International Aluminium Institute of the impact that Chinese smelter re-starts have had on global production. The latest numbers from the IAI estimate that global aluminium production rose 5.1% m-o-m in May to 2.96 million tonnes, the highest level since January.

Elsewhere the other base metals have come under a similar magnitude of pressure as a the stronger dollar and concerns over demand has weighed on sentiment. The exception however has been Tin, which has benefited from its relative illiquidity - shielding it from the worst of the selling pressure - and from a 1,175 mt fall in available LME inventory.

It is a very quiet day in terms of macroeconomic data, however it looks to be a busy week. Aside from the US Housing and Durable goods data due out over the next couple of days, there is also the FOMC meeting on the 24th. While the headline figure is unlikely to change, there is mounting speculation the Fed will use the comments posted after the announcement, to outline the exit strategy from its quantitative easing measures, i.e. how its going to contain inflation without increasing interest rates.

By Leon Westgate

Precious metals

A rally in Asian and European equity markets put pressure on gold on Friday; the metal bounced between \$931 and \$938. After touching \$939 in early NY trade, gold returned to \$932 after front-month WTI crude oil plummeted from \$72/bbl to \$68.80/bbl. With equity markets in Asia edging higher this morning (the Nikkei rising 0.41%), gold remained under pressure — sliding from \$935 to \$935 in Asia and early European trade. The greenback also strengthened, from \$1.3968 to \$1.3847 against the euro this morning. A stronger US dollar, coupled with stagnant ETF investment flows (investment holdings by the SPDR gold shares ETF have been unchanged since 5 June), could keep gold investors wary into the New York session. We have seen a 1,177 increase in speculative net length on the COMEX June contract, which could support spot gold prices in New York. Support and resistance are at \$930 and \$937 respectively.

With no major economic data on Friday, silver tracked gold, slipping from \$14.37 in New York to \$14.20 at the close. It has slid to \$13.98 this morning. The gold:silver ratio has increased from 65.79 to 66.70 — signaling that silver has decoupled from gold after Japan's BSI business conditions indicex showed improvement in manufacturing and industrial activity. **No major economic data are expected today, which could leave technical momentum signals in the driving seat again.** Primary support and resistance are at \$13.92 and \$14.31 respectively.

The fall in crude oil prices on Friday saw **platinum slide from \$1,217 to \$1,205 in New York before nose-diving to \$1,195 this morning.** With investors wary of the greenback's ascent this morning, and a marginal decline in NYMEX speculative net length on Friday, and with no economic data to give direction, platinum could struggle for support in NY. Support and resistance are at \$1,191 and \$1,213.

Palladium rallied to \$254 in Asia this morning before sombre sentiment saw the metal plunge to \$242. Support and resistance are at \$238 and \$252.

By Manqoba Madinane

Energy

Following large-scale investor profit-taking on Friday, which saw front-month WTI crude oil plummet from \$72/bbl to \$68.80/bbl during NY trade, the greenback rallied from \$1.3968 to \$1.3847 against the euro this morning, which saw the **front-month WTI crude oil contract struggle for support in electronic trade throughout the Asian session.** It ranged between \$69.04/bbl and \$69.87/bbl going into the European session.

Militant attacks on Shell pipelines in Nigeria yesterday and increased political tensions in Iran could fuel a risk premium in global crude oil prices, which could see front-month WTI receive support today. Chinese customs data show that Iran has overtaken Saudi Arabia as China's top crude oil supplier in May — exporting 3.09 million tonnes of crude oil into China. With China the second-largest crude oil consumer, investors should remain wary of developments in Iran, especially with no major economic data to give clues on demand developments. The WTI/Brent differential has climbed back to \$0.45/bbl, after briefly slipping into negative territory on Friday, which **signals improved US implied import demand.** Primary support and resistance for front-month WTI crude oil are at \$68.90/bbl and \$72.32/bbl respectively.

Thermal coal prices also came under pressure on Friday as lower crude oil prices and weaker European demand weighed on sentiment. API2(CIF ARA) for Q3:09 delivery shed \$0.85/mt, to \$63.38/mt, at the close of London trade on Friday. API4 (FOB) for Q3:09 delivery also slipped \$0.25/mt, to \$59.65/mt on Friday. Coal export prices at South Africa's Richards' Bay Coal terminal fell 11% w/w for the week ended 19 June, to \$57.90/mt, due to faltering European demand (which was also the first w/w decline in five weeks). This should weigh on thermal coal investment sentiment.

Carbon emissions contract prices clawed higher on Friday despite a weaker energy complex. ICE EUA for December delivery gained EUR0.38/mtCO₂, to EUR13.29/mtCO₂. Active-year UN-backed CER climbed EUR0.41/mtCO₂, to EUR11.41/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	4,368,925	4,371,775	5,975	8,825	-2,850	2,040,025	104,650	2.40	179,528
Copper	280,350	281,600	350	1,600	-1,250	-59,425	15,800	5.64	93,268
Lead	85,800	84,375	1,425	0	1,425	40,650	75	0.09	13,928
Nickel	108,108	108,162	0	54	-54	29,718	2,982	2.76	26,239
Tin	17,200	16,865	385	50	335	9,410	975	5.67	9,059
Zinc	339,100	337,925	1,650	475	1,175	85,600	6,650	1.96	56,340

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	13,420	13,430	0	Ali June'09	75	76.25	1.25	1.67%
Copper	38,550	38,260	-970	Cu June'09	226	222.25	-3.90	-1.72%
Zinc	13,185	13,265	-115					

ZAR metal prices (19 June 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	13,307	40,682	13,777	123,181	121,560	12,650	8.1040
3-month	13,836	41,427	13,968	125,187	122,716	12,980	8.2360

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)	77.39	0.73	78.50	-0.17	78.85	-0.21	82.25	-0.13	87.32	0.05
Gasoil 0.1% Rdam (\$/mt)	565.75	-17.50	577.25	-17.25	605.25	-1.50	632.50	-0.50	668.75	-0.25
NWE CIF jet (\$/mt)	627.20	0.60	647.08	0.75	654.67	0.92	683.36	1.91	722.17	3.00
Singapore Kero (\$/bbl)	77.61	0.87	79.90	-0.37	80.90	-0.21	84.90	-0.05	89.82	0.05
3.5% Rdam barges (\$/mt)	374.82	4.50	377.33	-2.71	376.53	-2.96	382.08	-1.58	399.52	0.39
1% Fuel Oil FOB (\$/mt)	384.67	4.70	387.83	-3.71	395.28	-3.96	415.58	-2.33	443.02	-0.61
Sing FO 380 Cargo (\$/mt)	399.58	-2.46	397.28	-2.71	397.75	-2.93	404.36	-2.59	421.97	-0.57
Sing FO180 Cargo (\$/mt)	402.50	3.52	403.25	-2.21	402.25	-2.46	407.50	-2.33	421.97	-0.57
Thermal coal	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	63.38	-0.85	72.95	-0.55	94.75	-0.40	102.00	-0.30	106.75	-0.30
API4 (FOB RBCT)	59.65	-0.25	68.95	-0.05	86.45	-0.20	93.10	-0.20	97.85	-0.10
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.09	0.32	13.29	0.38	13.87	0.39	14.53	0.43	15.44	0.44
ICE - ECX CER (€/mt)	11.36	0.31	11.41	0.41	11.33	0.36	11.55	0.41	11.90	0.38

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.37833	0.40667	0.49333	0.60667	0.83833		
Silver	0.48000	0.50200	0.53000	0.56400	0.66800		
USD Libor	0.31688	0.44625	0.61188	1.18250	1.74000		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	50.55	940.64	953.23	926.76	874.04	930.00	937.00
Silver	50.26	14.58	14.95	13.56	12.17	13.92	14.31
Platinum	53.29	1,229.40	1,220.62	1,130.81	1,023.87	1,191.00	1,213.00
Palladium	54.50	248.05	245.20	222.77	208.72	238.00	252.00
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	933.90	14.0500	244.55	1,216.40	934.00	2,891.00	933.70
Open Interest	377,013	107,740	16,162	23,988	787	100,420	4,577
Change in Open Interest	1,177	-418	-18	-26	-35	601	1,214

Date: 19 June 2009

Sources: Standard Bank; LME; Bloomberg

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