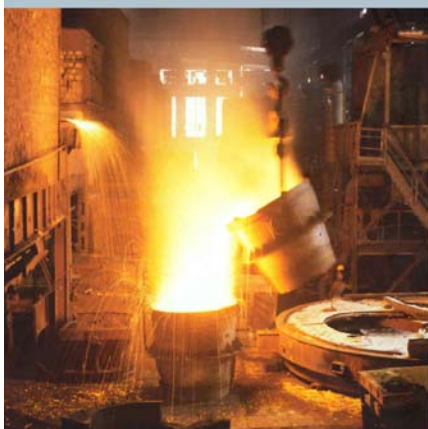


25 June 2009



Focus: Oil finds resistance Compared to macroeconomic fundamentals, front-month WTI crude oil prices appear overvalued. Investor optimism, which saw the front-month contract rally to \$72.80/bbl, is waning. We believe that front-month crude oil prices could correct towards \$60 – \$62/bbl.

- **Two developments yesterday make us slightly more bullish on gold today and also on other precious metals.**
- **PGM prices are slightly stronger on the back of the higher gold price.**
- **Silver is struggling for momentum.**
- Front-month WTI crude oil prices jumped from \$68.36/bbl to \$69.87/bbl in NY yesterday. **Front-month WTI crude then found support at \$68.11/bbl in Asia this morning.**
- Wednesday saw the base metals break free from their recent link with the dollar, with the complex surging higher on the back of positive economic data and fresh buying interest.
- A lack of follow through buying on Thursday morning has seen the base metals revert to the comfort of the dollar, which is again dictating short term price direction.

Walter de Wet, CFA
+44 (20) 7815 2759
Walter.DeWet@standardbank.com

Leon Westgate
+44 (20) 7815 4090
Leon.Westgate@standardbank.com

Manqoba Madinane
+27 (11) 378 7220
Manqoba.Madinane@standardbank.com

Commodity price data (24 June 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,628	1,661	1,668	1,604	55	3.43	1,594.00	31	-31.75
Copper	4,940	5,055	5,058	4,776	250	5.20	4,890.50	81	-20.50
Lead	1,650	1,705	1,710	1,625	85	5.25	1,645.00	12	-20.25
Nickel	15,225	15,500	15,530	14,600	890	6.09	15,195.00	445	-90.00
Tin	14,725	14,750	14,800	14,600	200	1.38	14,700.00	105	33.00
Zinc	1,565	1,612	1,617	1,521	92	6.06	1,535.50	28	-28.50

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	68.11	68.51	68.68	68.05	0.18	0.26%	46.74	42.07	35.46
NYMEX WTI	68.29	68.89	68.99	68.11	0.22	0.32%	47.59	42.38	35.46
ICE Gasoil	556.75	564.50	566.50	553.00	14.25	2.52%	-	-	-
API2 Q3'09	58.49	61.05	-	-	2.56	4.19%	-	-	-
ICE EUA Dec09	12.95	13.15	-	-	0.20	1.54%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	928.75	933.50	943.00	923.25	933.80	9.80	0.10/0.50
Silver	-	13.95	14.10	13.83	13.90	0.06	-3.50/-1.50
Platinum	1,175.00	1,173.00	1,170.00	1,164.00	1,160.00	0.00	-1/3
Palladium	237.00	238.00	237.00	236.00	235.00	1.00	0/3

Sources: Standard Bank; LME; Bloomberg

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



Focus: Oil finds resistance

Compared to macroeconomic fundamentals, front-month WTI crude oil prices appear overvalued. Investor optimism, which saw the front-month contract rally to \$72.80/bbl, is waning. The percentage of oil investors bullish on crude oil has plummeted from 48.50% on 12 June to 15.60% last week Friday — according to a Bloomberg survey.

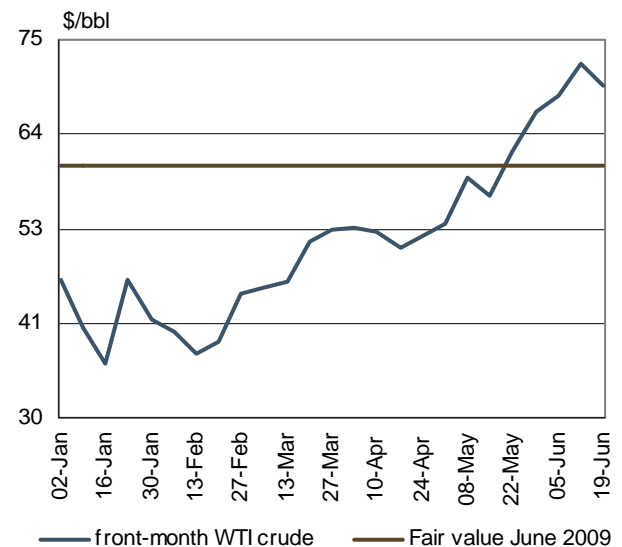
With optimism fading, the weak global economic fundamentals could see **front-month crude oil prices correct towards fair value, which is currently at \$60 – \$62/bbl**, according to our calculations.

Potential US supply capacity increased for the first time since 3 April after Baker Hughes reported a 2.6% w/w increase, to 899 in US oil rigs. This may weigh on the long-end of the WTI crude oil forward curve.

Signalling persistent US demand weakness, US DOE gasoline inventories rose 3,871K barrels last week. In contrast, the US DOE reported a 3,868K barrel decline in US crude oil inventories.

Although these mixed signals from weekly US oil and related product inventory data could keep front-month crude oil prices drifting

Front-month WTI crude oil prices



Sources: Bloomberg; Standard CIB Global Research;

sideways today, **our short-term outlook is bearish for front-month WTI crude oil prices.**

By Manqoba Madinane

Base metals

Wednesday saw the base metals break free from their recent link with the dollar, with the complex surging higher on the back of positive economic data and fresh buying interest - tempted by the recent price declines. All of the metals' made solid gains, with Copper and Lead both gaining over 5% and Nickel and Zinc both climbing over 6%. Although Asian equity markets were up strongly overnight, a lack of follow through momentum and a fairly inconclusive FOMC statement have seen the metals loose their way and come back under pressure on Thursday morning. That lack of momentum and mounting uncertainty have seen the metals revert to the comfort of the dollar, which is again dictating short term price direction.

A day after the World Bank's downgrade to its global growth forecasts, the OECD announced on Wednesday that it has raised its growth forecast for the first time in 2 years, boosting sentiment towards the industrial metals. The OECD now expects the combined economy of its 30 member nations to grow by 0.7% in 2010, compared to earlier estimates of a 0.1% contraction. The outlook for 2009 has also improved slightly, with the OECD estimating there will be 4.1% contraction this year compared to an earlier estimate of a 4.3% decline. Elsewhere, much better than expected US durable goods orders - up 1.8% compared to expectations of a 0.9% decline - also gave the metals a boost.

Copper surged higher on Wednesday, closing at \$5,055, as sentiment once again turned positive towards the industrial metals. The move came on the back of very good volumes, suggesting it was more than just short covering activity. Thursday has been a little more uncertain, with the red metal again looking to the dollar, however after an initial wobble, prices have recovered and are back above \$5,000. SHFE copper prices were also stronger amid rumours that the inventory data will show a decline of ~10 kt. Meanwhile, production problems in copper continue to mount with Teck announcing a 52 kt cut its 2010 production forecast to 342 kt, citing geotechnical issues at its Highland Valley mine.

Nickel was one of the best performers on Wednesday, closing the day on its highs. Interestingly, Outokumpu has said it will increase its production capability of stainless steel after the increase in the nickel price triggered some purchasing activity. It seems that some stainless consumers feel that the nickel price has bottomed, and are therefore looking to re-stock now before being hit with higher nickel surcharges later in the year.

Elsewhere, China has pledged to keep a moderately loose monetary policy, and will continue to ensure there is abundant liquidity in its financial system. In separate comments there were further suggestions from Chinese state bodies that the PBOC should shift more of its reserves into gold and natural resources as a dollar hedge.

By Leon Westgate

Precious metals

Two developments yesterday make us slightly more bullish on gold today and also on precious metals. *Firstly*, while the Fed delivered few surprises in its FOMC meeting, it indicated no plans to expand the balance sheet further. Because the US Fed won't increase the buying of US Treasuries, US long-dates bond-yields may rise, as some investors may have been disappointed. In contrast, the ECB has made \$617bn available to banks, at 1% for 12 months. This could see demand rise for long-dated Eurozone government bonds, and result in euro strength. *Secondly*, a researcher allied to the Communist Party in China this morning suggested that the country shifts more reserves into gold and other natural resources. The gold market seems to have shrugged this off. However, these suggestions can only be bullish for the metal in the short term.

Apart from these developments in financial markets, we are seeing a relatively steady flow of physical buying of gold at current price levels. This could provide further protection to the gold price on the downside. Support for gold is at \$921 and \$912, with resistance at \$941 and \$950.

PGM prices are slightly stronger on the back of the higher gold price. We expect this to continue today. Given that we believe bias for gold lies to the upside today, platinum and palladium may also edge up. However, upside could be limited to technical resistance levels. Platinum support is at \$1,165 and \$1,150. Resistance is at \$1,190 and \$1,200. Palladium support is at \$234 and \$230 with resistance at \$240 and \$245.

Silver is struggling for momentum, as a sustained break above \$14.00 failed yesterday. Support is at \$13.73 and \$13.60. Resistance is at \$14.06 and \$14.25.

By Walter de Wet

Energy

Front-month WTI crude oil prices jumped from \$68.36/bbl to \$69.87/bbl in NY yesterday after the US DOE crude inventory report for the week ending 19 June showed that stockpiles had fallen 3,868K barrels, against market consensus for a 950K barrel decline. However, with the US dollar rising from \$1.4080 to \$1.3889 against the euro in NY trade, the front-month WTI crude oil contract then fell back to \$68.40/bbl. A surprise 3,693K barrel build-up in US API gasoline inventories also weighed on market sentiment.

Front-month WTI crude found support at \$68.11/bbl in Asia this morning following refinery shutdowns in Nigeria due to pipeline damage. Renewed supply-side risks in Nigeria, due to militant attacks on crude oil supply lines, should support crude oil prices.

Today's Eurozone industrial new orders and US initial jobless claims data should more light on crude oil demand developments. Noteworthy, the front-month WTI/Brent crude oil spread is back in negative territory, at -\$0.92/bbl, this morning — signaling weaker US implied crude oil import demand. Support and resistance for front-month WTI crude oil is at \$67.88/bbl and \$69.68.

Thermal coal prices firmed yesterday after crude oil prices jumped going into the New York trading session. API2(CIF ARA) for Q3:09 delivery gained \$1.85/mt, to \$62.90/mt whilst API4(FOB) for Q3:09 delivery climbed \$1.50/mt, to \$60.40/mt. With no major economic data to give guidance, yesterday's gains may have also been a result of technical buying. Noteworthy, the Baltic Dry index fell 3.17% yesterday — signaling a slowdown in global dry bulk trading activity, which could weigh on thermal coal investment sentiment today. The C4 spot index, a measure of freight costs between Richards Bay and Rotterdam, also slipped 4.17% yesterday — warning of European thermal coal demand weakness.

Despite another fall in German base load power prices, **carbon emissions contract prices clawed higher yesterday**. ICE EUA for Q3:09 delivery climbed EUR0.18/mtCO₂, to EUR13.33/mtCO₂. Active-year CER gained EUR0.25/mtCO₂, to EUR11.65/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	4,345,425	4,351,575	3,400	9,550	-6,150	2,016,525	150,625	3.47	145,039
Copper	271,600	275,050	75	3,525	-3,450	-68,175	14,200	5.23	78,965
Lead	88,300	87,600	700	0	700	43,150	75	0.08	19,050
Nickel	108,060	108,672	618	1,230	-612	29,670	1,914	1.77	24,062
Tin	17,090	17,140	520	570	-50	9,300	1,280	7.49	6,687
Zinc	340,625	339,525	1,925	825	1,100	87,125	7,925	2.33	47,066

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	13,420	13,470	120	Ali June'09	74	75.25	1.50	2.03%
Copper	39,240	39,410	850	Cu June'09	228	229.05	0.95	0.42%
Zinc	13,420	13,450	190					

ZAR metal prices (24 June 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,875	39,501	13,287	122,730	118,732	12,402	8.0770
3-month	13,431	40,202	13,532	122,154	122,446	12,696	8.3581

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)	75.70	-0.77	76.43	1.89	76.53	1.90	79.86	1.85	85.11	1.88
Gasoil 0.1% Rdam (\$/mt)	564.50	14.25	571.00	-3.75	576.25	-9.25	612.75	13.75	652.00	14.00
NWE CIF jet (\$/mt)	620.11	3.31	627.63	14.08	634.92	14.17	663.51	13.75	705.25	14.00
Singapore Kero (\$/bbl)	75.89	-1.50	77.58	1.89	78.48	1.95	82.51	1.85	87.61	1.83
3.5% Rdam barges (\$/mt)	369.85	-5.42	370.17	5.65	370.05	6.04	374.90	6.46	391.60	6.25
1% Fuel Oil FOB (\$/mt)	377.53	-0.62	377.67	5.15	386.05	5.54	406.15	6.21	435.85	5.75
Sing FO 380 Cargo (\$/mt)	390.80	5.04	391.47	5.20	392.97	5.19	400.29	4.61	416.58	4.54
Sing FO180 Cargo (\$/mt)	397.24	-8.07	398.17	6.15	396.80	5.79	401.90	6.21	416.58	4.54
Thermal coal	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	62.90	1.85	71.30	1.25	92.85	0.55	100.90	0.20	106.55	0.20
API4 (FOB RBCT)	60.40	1.50	67.15	0.75	83.95	0.40	91.85	0.05	97.45	0.10
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.19	0.24	13.33	0.18	13.89	0.17	14.57	0.19	15.57	0.23
ICE - ECX CER (€/mt)	11.60	0.25	11.65	0.25	11.47	0.34	11.69	0.37	12.10	0.38

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.24167	0.29167	0.35000	0.47500	0.69000		
Silver	0.43333	0.45000	0.49167	0.52833	0.60333		
USD Libor	0.31125	0.43375	0.60438	1.13125	1.64000		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	50.98	931.95	948.81	927.49	875.37	924.00	944.00
Silver	49.53	14.13	14.78	13.60	12.20	13.81	14.14
Platinum	51.21	1,199.35	1,223.89	1,136.66	1,024.93	1,164.00	1,190.00
Palladium	51.84	241.01	245.64	223.87	208.82	233.00	241.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGEX GLD	TOCOM GLD	CBOT GLD
	Aug'09	Jul'09	Jul'09	Jul'09	Jun'09	Apr'10	Jun'09
Settlement	936.40	13.9900	238.00	1,175.20	935.70	2,904.00	936.80
Open Interest	370,347	105,699	16,035	23,276	699	96,758	3,167
Change in Open Interest	-4,623	-1,145	-104	-285	-56	-5,572	-72

Date: 24 June 2009

Sources: Standard Bank; LME; Bloomberg

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