

May 1st 2008

Precious Metals Daily

## Metals remain subdued as Fed cuts rates

Precious metals remained subdued following the Fed's decision to cut rates by 25 bps — a move that was largely expected by financial markets. Financial markets showed a benign reaction to this, indicating that a 25bps rate cut was already priced-in. Surprising markets, Q1 US GDP grew 0.6% against market expectations for a 0.2% increase. However, the Fed reiterated that structural risks to the US economy remain firmly in place and gave further assurance that it is ready to ease further if necessary. With quarterly consumer spending at its lowest since Q2:01 and business investment at its lowest since Q1:04, the Fed's position opens the possibility of further interest rate cuts.

Further interest rate cuts by the Fed could lift inflation expectations which should see some inflation-hedge investment fund flow into the commodity complex. However, it is instructive to watch for further US economic developments and US credit default spreads to indicate the extent of financial market strain. Precious metals should remain range-bound in the near term as markets digest economic indications.

**Gold** opened at \$870 before being lifted marginally to \$875 at the London AM fix. Gold range-traded between \$865 and \$875 in London intraday activity. Strong gold selling pressure was encountered in New York as the dollar strengthened against the euro — closing at **\$873** at the afternoon close. Some upside potential exists as bargain hunting could lift prices. We see support for gold at \$874, with \$870 and \$863 as near-term possibilities. Primary resistance is seen at \$882, and secondary resistance at \$885. A break higher might see gold test \$892.

**Silver** found good support, ignoring gold movements throughout trading activity yesterday to close at **\$16.51** in New York. Support for silver is seen at \$16.84, with \$16.72 and \$16.49 as possibilities. Primary resistance is seen at \$17.07, with secondary resistance at \$17.16. A break higher might see silver test \$17.38.

**Platinum** came under some selling pressure as the greenback strengthened, shadowing gold movements. After opening at \$1,935 in New York, platinum drifted lower to close at **\$1,923**. Primary support for platinum is at \$1,918

| Prices (US\$) |          |          |          |           |           |              |         |
|---------------|----------|----------|----------|-----------|-----------|--------------|---------|
| Metal         | AM Fix   | PM Fix   | High bid | Low offer | Close bid | Daily change | EFP's   |
| Gold          | 867.75   | 871.00   | 876.20   | 863.30    | 873.10    | -20.20       | 1.6/1.9 |
| Silver        | -        | 16.470   | 16.770   | 16.42     | 16.51     | -0.49        | 7.5/9.0 |
| Platinum      | 1,923.00 | 1,929.00 | 1,935.00 | 1,915.00  | 1,923.00  | -42.00       | 4/8     |
| Palladium     | 417.00   | 420.00   | 422.00   | 416.00    | 417.00    | -19.00       | 2.0/4.0 |

| Forwards (%) |         |          |          |          |           |
|--------------|---------|----------|----------|----------|-----------|
| Metal        | 1 month | 2 months | 3 months | 6 months | 12 months |
| Gold         | 2.5971  | 2.5886   | 2.5843   | 2.5957   | 2.6086    |
| Silver       | 2.9500  | 2.9171   | 2.8929   | 2.8429   | 2.7643    |
| USD Libor    | 2.8025  | 2.8300   | 2.8500   | 2.9650   | 3.0788    |

| Technical indicators |            |           |           |            |            |         |            |
|----------------------|------------|-----------|-----------|------------|------------|---------|------------|
| Metal                | 30-day-RSI | 10-day MA | 20-day MA | 100-day MA | 200-day MA | Support | Resistance |
| Gold                 | 43.85      | 894.55    | 910.91    | 907.01     | 823.15     | 882.00  | 897.00     |
| Silver               | 46.92      | 17.12     | 17.54     | 17.14      | 15.30      | 16.54   | 17.07      |
| Platinum             | 48.97      | 1,976.00  | 1,994.58  | 1,853.96   | 1,609.61   | 1,931   | 1,989      |
| Palladium            | 44.01      | 438.77    | 447.10    | 432.20     | 392.28     | 433     | 442        |

| Active Month Futures* |                  |                  |                  |                   |                 |                  |                 |
|-----------------------|------------------|------------------|------------------|-------------------|-----------------|------------------|-----------------|
|                       | Comex GLD Jun'08 | Comex SLV May'08 | NYMEX PAL Jun'08 | NYMEX PLAT Jul'08 | DGCX GLD Jun'08 | TOCOM GLD Feb'09 | CBOT GLD Jun'08 |
| Settlement            | 865.10           | 16.5930          | 422.75           | 1,935.20          | 877.20          | 2,927.00         | 865.10          |
| Open                  | 429,670          | 126,504          | 19,410           | 13,968            | 3,704           | 176,568          | 12,286          |
| Interest              |                  |                  |                  |                   |                 |                  |                 |
| Change in OI          | 9,462            | -965             | -42              | 143               | -148            | -944             | 247             |
| Date:                 | 30-Apr-08        |                  |                  |                   |                 |                  |                 |

\* Open interest

with primary resistance at \$1,947. **Palladium** was subdued amid some good 2 way trading volumes in the metal—closing softer at **\$417** in New York yesterday. Primary support is at \$419 with resistance at \$423. **Rhodium** fixed higher — at **\$9,180**.

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| Date/Time (SA) |     | Data/Event                                | Consensus  | Previous   |
|----------------|-----|---|------------|------------|
| <b>28-Apr</b>  |     |   |            |            |
| ---            | ZAR | Public holiday                            | ---        | ---        |
| 01:50          | JPY | Large retailers' sales (Mar)              | -0.2% m/m  | 1.3% m/m   |
| 01:50          | JPY | Retail trade (Mar)                        | 1.0% y/y   | 3.2% y/y   |
| 09:00          | EUR | ECB's Trichet, Liescher and Wellink speak | ---        | ---        |
| 10:30          | EUR | ECB's Mersch and Hurley speak             | ---        | ---        |
| 11:45          | EUR | Economic growth forecasts                 | ---        | ---        |
| <b>29-Apr</b>  |     |   |            |            |
| ---            | JPY | Public holiday                            | ---        | ---        |
| 10:00          | EUR | Eurozone retail PMI (Apr)                 | ---        | 48.2       |
| 10:30          | GBP | M4 money supply (Mar)                     | ---        | 12.0% y/y  |
| 10:30          | GBP | Net consumer credit (Mar)                 | £1.4bn     | £2.4bn     |
| 10:30          | GBP | Mortgage approvals (Mar)                  | 67K        | 73K        |
| 10:45          | GBP | BOE's King speaks                         | ---        | ---        |
| 15:00          | USD | S&P/CS Composite-20(Feb)                  | -11.9% y/y | -10.7% y/y |
| 16:00          | USD | Consumer conf. (Apr)                      | 62.0       | 64.5       |
| 19:00          | GBP | BOE's Blanchflower speaks                 | ---        | ---        |
| 23:00          | USD | ABC consumer conf. (Apr)                  | ---        | -40        |
| <b>30-Apr</b>  |     |   |            |            |
| 01:01          | GBP | GfK consumer conf. (Apr)                  | -20        | -19        |
| 01:15          | JPY | Manufacturing PMI (Apr)                   | ---        | 49.5       |
| 01:30          | JPY | Jobless rate (Mar)                        | 3.9%       | 3.9%       |
| 01:30          | JPY | Household spending (Mar)                  | 0.5% y/y   | 0.0% y/y   |
| 01:50          | JPY | Industrial production (Mar)               | 2.0% y/y   | 5.1% y/y   |
| 04:00          | JPY | BOJ rate decision (Apr)                   | 0.50%      | 0.50%      |
| 08:00          | ZAR | M3 money supply (Mar)                     | 20.7       | 21.07% y/y |
| 08:00          | ZAR | Private sector credit (Mar)               | 20.4       | 20.79% y/y |
| 11:00          | EUR | Eurozone CPI est. (Apr)                   | 3.4% y/y   | 3.5% y/y   |
| 11:00          | EUR | Unemployment rate (Mar)                   | 7.1%       | 7.1%       |
| 11:00          | EUR | Consumer conf. (Apr)                      | -12        | -12        |
| 11:00          | EUR | Economic conf. (Apr)                      | 99.0       | 99.6       |
| 13:00          | USD | MBA mortgage apps (Apr)                   | ---        | -14.2%     |
| 14:00          | ZAR | Trade balance (Mar)                       | -R5.1bn    | -R5.8bn    |
| 14:15          | USD | ADP employment (Apr)                      | -63K       | 8K         |
| 14:30          | USD | GDP (1Q)                                  | 0.3% q/q   | 0.6% q/q   |
| 15:45          | USD | Chicago PMI (Apr)                         | 48.0       | 48.2       |
| 19:30          | EUR | ECB's Garganas speak                      | ---        | ---        |
| 20:15          | USD | FOMC rate decision                        | 2.00%      | 2.25%      |
| <b>01-May</b>  |     |   |            |            |
| ---            | ZAR | Public holiday                            | ---        | ---        |
| 01:01          | GBP | BOE Financial Stability Report            | ---        | ---        |
| 10:30          | GBP | PMI manufacturing (Apr)                   | 50.8       | 51.3       |
| 13:30          | USD | Challenger job cuts (Apr)                 | ---        | 9.4% y/y   |
| 14:30          | USD | Personal income (Mar)                     | 0.4% m/m   | 0.5% m/m   |
| 14:30          | USD | Personal spending (Mar)                   | 0.2% m/m   | 0.1% m/m   |
| 14:30          | USD | Initial jobless claims (Apr)              | ---        | 342K       |
| 14:30          | USD | Continuing claims (Apr)                   | ---        | 2,934K     |
| 16:00          | USD | ISM Manufacturing (Apr)                   | 48.0       | 48.6       |
| <b>02-May</b>  |     |   |            |            |
| ---            | ZAR | Public holiday                            | ---        | ---        |
| 10:00          | EUR | PMI manufact. (Apr)                       | 50.8       | 50.8       |
| 10:30          | GBP | PMI construction (Apr)                    | ---        | 47.2       |
| 14:30          | USD | Nonfarm payrolls (Apr)                    | -75K       | -80K       |
| 14:30          | USD | Unemployment rate (Apr)                   | 5.2%       | 5.1%       |
| 14:30          | USD | Manufact. Payrolls (Apr)                  | -40K       | -48K       |



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