

May 7th 2008

Precious Metals Daily

Crude oil continues to light the way

It was another nervous day for precious metals as WTI crude oil surged to \$122 a barrel. With little other macro-economic news in major economies, metals edged higher.

Despite the rise in crude oil prices, the US dollar remains an important driver of the gold price; the greenback is still upbeat at this stage. Yesterday's comments by Mr Hoenig, President of the Federal Reserve Bank of Kansas City, that the Fed might need to raise interest rates to curb inflationary pressures, should provide further support to the greenback. Although the Fed targets inflation (excluding energy and food prices), it is only a matter of time before rising costs of these two components show up elsewhere in the economy. In the event that the Fed raises rates this year (which we believe unlikely), it would be bearish, not only for gold and silver, but also for PGM because consumer spending would come under more pressure.

Gold found good support despite the dollar breaking below \$1.5500 against the euro. However, trade remains nervous and volumes low. The metal bounced between \$872 and \$880 during Asian and European trade before finally breaking above \$880 — buying kicked in at this level when New York opened. Support gave way towards the close as oil slid below \$122. Gold closed at **\$876.30**. We see support at \$871, with \$865 and \$854 as near-term possibilities. Primary resistance is seen at \$882, and secondary resistance at \$888. A break higher might see gold test \$900.

After being bid slightly higher towards \$16.85 in early morning trade, **silver** lost momentum when Europe opened. However, a burst of buying in New York pushed the metal rapidly from around \$16.65, to \$17.00. Although silver traded slightly lower towards the close, support remained around **\$16.80**. Support for silver is seen at \$16.67 – \$16.70, with \$16.48 and \$16.20 as possibilities. Primary resistance is seen at \$17.00, with secondary resistance at \$17.15 – \$17.19. A break higher might see silver test \$17.50.

Platinum bounced back nicely from its lows of Monday, to around \$1,950. As with gold, trade remains thin and volatile. There seems to be good support when platinum dips below \$1,900. The metal closed at **\$1,955** in New York.

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	878.00	880.00	979.50	873.00	876.30	3.60	1.1/1.4
Silver	-	16.700	16.990	16.67	16.80	0.03	5.5/7
Platinum	1,930.00	1,940.00	1,960.00	1,935.00	1,955.00	35.00	3/7
Palladium	426.00	425.00	429.00	424.00	428.00	9.00	2/4

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.5000	2.5014	2.4829	2.4757	2.5371
Silver	2.7786	2.7750	2.7643	2.7071	2.6543
USD Libor	2.6738	2.7238	2.7575	2.8763	3.0150

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.07	875.18	899.79	909.68	827.16	871.00	882.00
Silver	46.98	16.71	17.26	17.24	15.38	16.70	17.00
Platinum	50.29	1,934.10	1,973.38	1,871.09	1,622.15	1,900	1,960
Palladium	46.60	426.35	441.24	434.92	393.43	423	436

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	877.70	16.8600	431.40	1,969.80	878.20	2,907.00	878.00
Open	432,303	120,623	19,445	13,794	3,764	173,635	11,212
Interest Change in OI	4,468	-2,155	-185	-62	-51	0	-1,063
Date:	06-May-08						

* Open interest

Palladium searched for direction between \$420 and \$430. Although market activity remains choppy, the metal followed platinum and gold higher in New York trade, to close at **\$428**.

Rhodium is still well supported; it was bid slightly higher, and fixed at \$9,230.

Walter de Wet CFA*
+27 11 378 7239
Walter.deWet@standardbank.com



Date/GMT + 2		Data/Event	Consensus	Previous
05-May				
—	JPY	Public holiday	—	—
—	GBP	Public holiday	—	—
10:30	EUR	Sentix investor conf. (May)	3.9	4.1
11:00	ZAR	Naamsa vehicle sales (Apr)	—	-17.5% y/y
11:00	ZAR	Investec PMI (Apr)	—	43.7
11:00	ZAR	SBK house price ind. (Apr)	—	-5.2%
16:00	USD	ISM Non-Manufact. (Apr)	49.1	49.6
06-May				
02:30	USD	Fed's Bernanke speaks	—	—
10:00	EUR	PMI services (Apr)	51.8	51.8
10:00	EUR	PMI Composite (Apr)	51.9	51.9
10:30	GBP	PMI services (Apr)	51.7	52.1
10:30	GBP	Official reserves (Apr)	—	\$45m
11:00	EUR	Eurozone PPI (Mar)	5.6% y/y	5.3% y/y
19:30	EUR	ECB's Tumpel-Gugerell speaks	—	—
23:00	USD	ABC Consumer conf. (May)	-41	-41
07-May				
01:01	GBP	Consumer conf. (Apr)	74	77
03:30	USD	Fed's Hoenig speaks	—	—
09:00	EUR	ECB's Bini-Smaghi and Stark speak	—	—
10:30	GBP	Industrial prod. (Mar)	0.8% y/y	1.3% y/y
10:30	GBP	Manufacturing prod. (Mar)	1.2% y/y	1.9% y/y
11:00	EUR	Retail sales (Mar)	-0.7% y/y	-0.2% y/y
11:30	ZAR	SACOB business conf (Apr)	—	93.9
13:00	USD	MBA mortgage apps (May)	—	-11.1%
14:30	USD	Nonfarm productivity (1Q)	1.5% q/q	1.9% q/q
14:45	USD	Fed's Kroszner speaks	—	—
16:00	USD	Pending home sales (Mar)	-1.0% m/m	-1.9% m/m
21:00	USD	Consumer credit (Mar)	\$6.0bn	\$5.2bn
08-May				
01:01	GBP	GDP estimate (Apr)	—	0.5%
08:00	ZAR	Gross reserves (Apr)	—	\$34.4bn
08:00	ZAR	Net reserves (Apr)	—	\$33.1bn
13:00	GBP	BOE rate decision	5.00%	5.00%
13:00	ZAR	Manufacturing prod (Mar)	3.1% y/y	3.5% y/y
13:45	EUR	ECB rate decision	4.00%	4.00%
14:30	USD	Initial jobless claims (May)	370K	380K
14:30	USD	Continuing claims (Apr)	3,020K	3,019K
16:00	USD	Wholesale inventories (Mar)	0.5% m/m	1.1% m/m
18:30	USD	Greenspan speaks	—	—
23:30	USD	Treasury's Paulson speaks	—	—
09-May				
01:50	JPY	Official reserves (Apr)	—	\$1,015.6bn
07:00	JPY	Leading eco. index (Mar)	20.0%	54.5%
07:00	JPY	Coincident index (Mar)	33.3%	70.0%
14:30	USD	Trade balance (Mar)	-\$61.4bn	-\$62.3bn



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