

May 8th 2008

Precious Metals Daily

Mesmerized by oil

The world seems mesmerised by crude oil that keeps pushing higher. With all eyes on crude oil markets, volumes in the precious metals market remain low.

The euro weakened substantially against the dollar yesterday; it appears that interest rates and the strong euro are starting to weigh on the EU economy. The dollar is now trading well below \$1.5400 against the euro. EU retail sales declined 0.4% m/m in March (forecast: an 0.2% m/m increase). Not only EU consumers are taking strain; German factory orders declined 0.6% m/m (forecast: an 0.3% increase), indicating a broad-based slowdown in the EU.

Look out for the ECB interest rate decision today. Although no rate cut is expected, a dovish tone at the policy statement could pave the way for further euro weakness. That said, we believe that the ECB would be unmoved by the latest data releases, and will act vigorously to curb inflation.

Despite euro weakness, crude oil is a pillar of support for precious metals. Amid the low trading volumes, gold and silver prices have been sticky, resisting major downward pressures so far this week. We foresee this support continue, which should somewhat offset downward pressure caused by currency moves.

After opening at \$875, **gold** was range-bound for most of Asian trade. However, with the EU data release, and the subsequent fall in the dollar to around \$1.5450, gold was bid to below \$870. But resistance at \$865 kicked in, and, combined with rising crude, the yellow metal managed to fight its way back to **\$870**. We see support at \$865, with \$860 – \$861 and \$854 as near-term possibilities. Primary resistance is seen at \$878, and secondary resistance at \$888. A break higher might see gold test \$900.

After being range-bound between \$16.85 and \$16.90 in early morning trade, **silver** followed gold lower towards \$16.50 when Europe opened. On the back of gold and higher crude oil prices, silver was better supported in New York, and closed at **\$16.65**. Support for silver is seen at \$16.50, with \$16.42 and \$16.21 as possibilities. Primary resistance is seen at \$16.85 – \$16.87, with secondary resistance at \$17.10 – \$17.12. A break higher might see silver test \$17.50.

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	874.00	868.25	881.00	864.00	870.00	-6.00	1.1/1.4
Silver	-	16.690	16.870	16.51	16.65	-0.15	4.5/6
Platinum	1,945.00	1,930.00	1,961.00	1,930.00	1,958.00	3.00	2/6
Palladium	427.00	418.00	424.00	419.00	420.00	-8.00	1/3

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.4286	2.4329	2.4314	2.4214	2.5086
Silver	2.7743	2.7700	2.7600	2.6929	2.6414
USD Libor	2.6213	2.6900	2.7344	2.8488	2.9981

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	43.78	872.55	896.33	910.32	828.13	865.00	878.00
Silver	45.43	16.67	17.17	17.26	15.39	16.50	16.85
Platinum	51.24	1,935.60	1,971.15	1,875.64	1,625.60	1,937	1,972
Palladium	46.53	424.60	439.14	435.54	393.70	415	430

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	871.20	16.6950	425.75	1,969.00	870.80	2,984.00	871.20
Open Interest	433,741	121,057	19,590	13,961	3,840	173,476	11,186
Change in OI	1,438	434	145	167	76	-159	-26
Date:	07-May-08						

* Open interest

Slower growth in Europe would be bearish news for PGM. But such news is being overshadowed by supply problems and higher crude oil prices. After trading slightly lower in the morning, **platinum** rose in New York yesterday. The metal managed to close at **\$1,958**; trade remains choppy and erratic. **Palladium** also continues erratically, broadly tracking platinum. Despite generally more positive sentiment towards precious metals in New York, the metal closed at **\$420**.

Rhodium fixed \$5 lower — at \$9,225.

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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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