

May 9th 2008

Precious Metals Daily

Solid downside support

Precious metals prices were well supported yesterday, bid higher from the European open. Despite a small pull-back around the AM fix for gold, support held firm.

As expected, the ECB kept rates unchanged, at 4%. Its policy statement remained hawkish on inflation, with the bank citing recent economic growth data. We believe the bank should keep rates constant for at least a few more months. The euro has strengthened against the dollar — trading above \$1.5400.

In the US, initial jobless claims for last week declined by 18,000K but the employment trend remains down. This should weigh on Fed policy decisions. Fed fund futures are overwhelmingly in favour of holding rates steady for the rest of this year.

Oil prices remain high, with NYMEX WTI testing \$125. This will have inflationary pressures for economies. Although US equities had a marginally positive day yesterday, global equities in general are reacting to this inflationary threat and the possibility of tight monetary policy by central banks for the foreseeable future. This should provide good support for precious metals to the downside.

Gold initially traded lower on the day, as interest in Asia was limited. But, with the euro appreciating against the greenback and crude oil testing new highs, the yellow metal's fortunes changed. After the AM fix, the trend for gold was up. Gold saw good support around \$880 — it closed at **\$881.10**. We see support at \$879 – \$880, with \$869 and \$857 as near-term possibilities. Primary resistance is seen at \$889, and secondary resistance at \$898. A break higher might see gold test \$910.

Although **silver** sold in early morning trade in Asia, it recovered nicely when gold picked up. This support pushed the metal from an intra-day low of \$16.47, to almost \$17. There was little support for the metal at these highs, and it then dropped back to close at **\$16.81**. Support for silver is seen at \$16.53, with \$16.40 and \$16.25 as possibilities. Primary resistance is seen at \$17, with secondary resistance at \$17.10 – \$17.12. A break higher might see silver test \$17.24.

PGM prices are finding very good support. Platinum, palladium and rhodium traded higher yesterday. On the supply

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	872.25	877.00	885.70	866.50	881.10	11.10	1.1/1.4
Silver	-	16.580	16.950	16.50	16.81	0.16	4.5/6
Platinum	1,981.00	2,002.00	2,022.00	1,984.00	2,019.00	61.00	2/6
Palladium	430.00	431.00	433.00	429.00	433.00	13.00	1/3

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	2.3571	2.3914	2.4014	2.3843	2.4714
Silver	2.7386	2.7529	2.7457	2.6743	2.6157
USD Libor	2.5900	2.6644	2.7156	2.8200	2.9438

Technical indicators							
Metal	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	46.16	873.47	894.84	911.16	829.25	879.00	889.00
Silver	47.28	16.70	17.14	17.29	15.41	16.53	17.00
Platinum	55.14	1,948.85	1,975.17	1,881.40	1,629.63	1,974	2,046
Palladium	48.44	424.85	437.90	436.43	394.11	426	439

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	882.10	16.8700	435.90	2,042.30	885.20	2,928.00	881.90
Open Interest	435,637	120,975	19,639	14,425	2,976	178,887	10,857
Change in OI	1,896	-82	49	464	-864	5,411	-329
Date:	08-May-08						

* Open interest

side, in South Africa, Eskom has announced that more power cuts would be unlikely; energy saving initiatives and cutbacks by industrial users have rendered enough free capacity. Although this doesn't mean mines can increase power usage after a forced cut in electricity consumption earlier this year, it does provide some comfort that power supply has stabilised.

Platinum closed at **\$2,019**, **palladium** at **\$433**. **Rhodium** fixed much higher — at **\$9,370**.

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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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