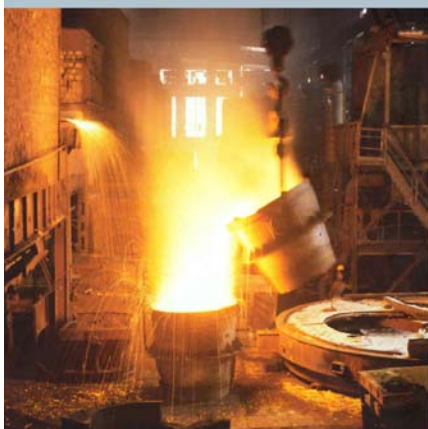


4 November 2009



Focus: Over the past week, gold has held its ground despite dollar strength (the dollar appreciated from 1.50 to \$1.4650 against the euro yesterday). Gold has reached new highs, and still we see upside. Our target of \$1,100 in Q4:09 may be met sooner than we'd thought. We also believe that support remains in place.

- The base metals all opened higher this morning before trading sideways. LME options declaration helped keep the metals fairly rangebound during the morning, however the dollar is also starting to exert some control on price direction as we head into the afternoon.
- Financial markets are more bullish. Commodities remain a risk story, with very high correlations between commodities and other asset classes. In this respect, all eyes will be on the US Fed this afternoon.
- Crude oil prices are firmer this morning following *positive US economic data* and a *record high gold price*. US API crude oil inventories contracted by 3,276K barrels, which increased the cumulative decline on API crude inventory to 6,808K barrels in the past two weeks.

Walter de Wet* CFA

+44 (20) 3145 6821

Walter.DeWet@standardbank.com

Leon Westgate*

+44 (20) 7626 6004

Leon.Westgate@standardbank.com

Manqoba Madinane*

+27 (11) 378 7220

Manqoba.Madinane@standardbank.co.za

Commodity price data (3 November 2009)**Base metals LME 3-month**

| | Open | Close | High | Low | Daily change | Change (%) | Cash Settle | Change in cash settle | Cash – 3m |
|-----------|--------|--------|--------|--------|--------------|------------|-------------|-----------------------|-----------|
| Aluminium | 1,882 | 1,909 | 1,926 | 1,882 | -7 | -0.37 | 1,870.00 | 1 | -33.50 |
| Copper | 6,375 | 6,461 | 6,571 | 6,372 | -90 | -1.37 | 6,395.50 | -78 | -24.25 |
| Lead | 2,240 | 2,270 | 2,310 | 2,234 | -28 | -1.22 | 2,250.50 | -10 | -25.75 |
| Nickel | 17,750 | 17,800 | 18,200 | 17,661 | -260 | -1.44 | 17,805.00 | -365 | -56.00 |
| Tin | 14,725 | 14,820 | 14,800 | 14,550 | 15 | 0.10 | 14,700.00 | -200 | 100.00 |
| Zinc | 2,165 | 2,180 | 2,210 | 2,148 | -15 | -0.68 | 2,146.00 | 1 | -26.25 |

Energy

| | Open | Close | High | Low | day/day | Change (%) |
|---------------|--------|--------|--------|--------|---------|------------|
| ICE Brent | 77.79 | 77.95 | 78.04 | 77.67 | -0.16 | -0.21% |
| NYMEX WTI | 79.47 | 79.47 | 79.56 | 79.12 | -0.13 | -0.16% |
| ICE Gasoil | 631.75 | 632.75 | 633.25 | 631.75 | 7.50 | 1.19% |
| API2 Q4'09 | 76.10 | 76.00 | - | - | -0.10 | -0.13% |
| ICE EUA Dec09 | 14.54 | 14.40 | - | - | -0.14 | -0.96% |

Precious metals

| | AM Fix | PM Fix | High bid | Low offer | Closing bid | Change (d/d) | EFPs |
|-----------|----------|----------|----------|-----------|-------------|--------------|---------|
| Gold | 1,058.00 | 1,061.00 | 1,087.70 | 1,056.50 | 1,084.50 | 31.00 | 0.2/0.6 |
| Silver | - | 17.23 | 17.31 | 16.26 | 17.15 | 0.77 | 0.0/2.0 |
| Platinum | 1,334.00 | 1,330.00 | 1,357.00 | 1,327.00 | 1,349.00 | 17.00 | 4/6 |
| Palladium | 326.00 | 324.00 | 326.00 | 320.00 | 325.00 | 2.00 | 1/3 |

Sources: Standard Bank; LME; BBG



Focus: Gold shoots for new highs, yet support remains

Over the past week, **gold has held its ground** despite dollar strength (the dollar appreciated from 1.50 to \$1.4650 against the euro yesterday). Gold has reached new highs, and still we see upside. **Our target of \$1,100 in Q4:09 may be met sooner than we'd thought.** We also believe that support remains in place.

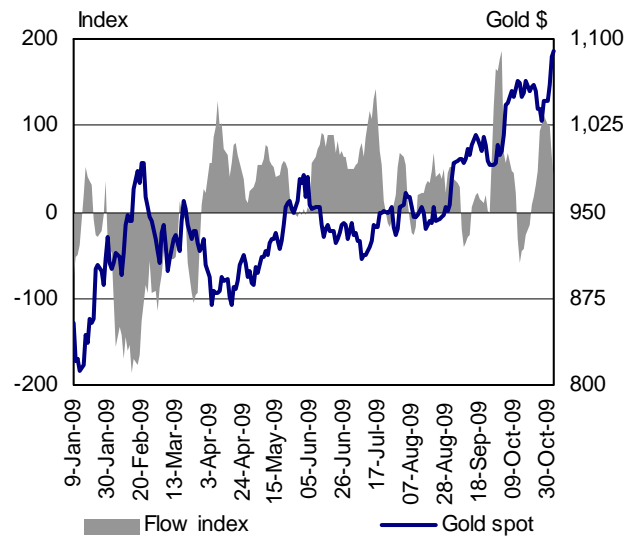
When gold breached \$1,000 in early September, physical selling went neutral (refer to our physical index approaching zero). A value for the index *above zero* shows *net buying*. A value *below zero* shows *net selling*. The higher the value (in absolute terms), the greater the buying or selling pressure.

However, buying momentum spiked sharply in recent weeks, reaching a high for Q4 last week. While buying momentum in the physical gold market remains positive, momentum is fading at current prices. We expect some resistance from this front.

That said, we also believe that any resistance from the physical market will be short-term, and buying momentum should remain positive for most of Q4:09 on high seasonal demand. We estimate that Q4 seasonal demand is 3x higher than that of Q3 (after accounting for price and currency effects).

We believe the current gold rally still has some legs (independent from high investment demand).

Figure 1: Standard Bank physical flow index



Source: Standard Bank

However, we are mindful of what can happen in February/March 2010 (a very weak period for seasonal demand). From what we saw at the start of 2009, physical selling could be intense. Potential scrap flows may neutralise some of the dollar weakness we expect in Q1:10.

By Walter de Wet

Base metals

In a near carbon copy of Monday's price action, Tuesday's weak start was followed by a recovery during the afternoon. The catalyst for yesterday afternoon's rally was actually a jump in the gold price after stops were triggered, rather than the marginally better than expected US Factory Orders data. Copper reacted to gold's move dragging the rest of the metals higher with it, however, with the dollar failing to move significantly, the recovery was rather half hearted.

The base metals all opened higher this morning before trading sideways. LME options declaration helped keep the metals fairly rangebound during the morning, however the dollar is also starting to exert some control on price direction as we head into the afternoon. There has been decent turnover in copper, though volumes elsewhere remain pretty thin. With the FOMC announcement due this evening, the afternoon session may be rather quiet.

The US Factory Orders for September came in slightly above expectations at 0.9%, however perhaps more importantly was news of Berkshire Hathaway's takeover of the US's second biggest railroad company, Burlington Northern Santa Fe - essentially a bet on an improving US economy and a positive commodities outlook. Changing tack slightly, but remaining in a similar vein, General Motors has now decided to hang onto its Vauxhall/Opel brand, rather than sell it to Magna, providing perhaps another sign of improving sentiment towards the global economic picture.

Copper saw very good turnover on Tuesday, with well over 10,000 lots trading on LME Select. Decent turnover has again been a feature during Wednesday morning. Although the lack of a significant break in prices, either up or down, continues to leave the market mired in uncertainty, the increased turnover is a positive sign, indicating good two-way interest in the metal.

In the background, the on-going strike at BHP Billiton's Spence mine is continuing to lend support to copper prices. With any agreement likely to set the benchmark for the negotiations at the much larger Escondida mine in December, you could argue that the disruption being seen at the moment may prevent a much more significant stoppage from occurring later this year.

By Leon Westgate

Precious metals

Financial markets are more bullish this morning. **Commodities remain a risk story**, with very high correlations between commodities and other asset classes. In this respect, all eyes will be on the US Fed this afternoon.

We expect the Fed to remain accommodative. The US Taylor-rule (a rule based model indicating where US nominal interest rates should be for the Fed to achieve its objective of high employment and low inflation) shows that US interest rates must stay low well into 2010. In fact, the rule still shows that nominal interest rates should be *negative*. **An accommodative Fed should continue to support precious metals.**

While we thought gold would remain range-bound, with resistance at \$1,070, the metal has stormed through this resistance level, triggering more buying stops on the way up. **The next target for gold: \$1,100.** There is large open-interest in December call options, with strikes at \$1,100. While we see some physical selling, overall there are good two-way flows. Resistance is at \$1,100, and support is at \$1,080 and \$1,065.

Platinum and palladium benefited from gold's rush higher. Further support came from good US auto sales numbers for October; 10.45m units (annualised) were sold in the US in October (consensus: 9.8m). This follows good sales figure out of Japan earlier this week. **Buy dips for palladium and platinum.**

Silver is back above \$17.00 as it shadows gold. Silver support is at 17.00 and \$17.50, while resistance is at \$17.60 and \$18.00.

By Walter de Wet

Energy

Crude oil prices are firmer this morning following *positive US economic data* and a *record high gold price*. US API crude oil inventories contracted by 3,276K barrels, which increased the cumulative decline on API crude inventory to 6,808K barrels in the past two weeks. However, API data also showed that crude oil imports had contracted by 156K barrels, which implies that a segment of the draw on crude oil inventories was a result of reduced US crude oil import demand.

Despite decline on crude oil inventories, API distillate fuel data still signal that **US demand for refined products is under pressure** — gasoline and distillate fuel inventories expanded 501K and 1,789K barrels respectively despite a 1 percentage point decline in refinery utilization to 81%. Today's DOE inventory data should provide more clarity on US crude oil demand — until then, the \$80/bbl level could maintain its strong resistance for front-month WTI crude oil.

With crude oil prices sliding during European trade, **thermal coal contract prices slipped in London yesterday.** Both API2 (CIF ARA) and API4(FOB) for December 2009 delivery shed \$0.10/mt, to \$76/mt and \$67.15/mt respectively. Coal inventories at China's Qinghuangdao terminal have increased to 7.73 million tonnes after falling to critically low levels below 5 million tonnes last week — we view this as emergency Chinese coal stockpiling and not weakening thermal coal demand, with thermal coal port prices in China still rising. Chinese Qinghuangdao thermal coal port prices are trading at 33.4% premium to Australia's Newcastle port prices — thermal coal contracts could benefit from Chinese arbitrage buying interest.

Carbon contracts also came under pressure in Europe yesterday. ICE EUA for December 2009 delivery shed EUR0.14/mtCO₂, to EUR14.40/mtCO₂. UN-backed CER for December 2009 delivery was EUR0.08/mtCO₂ lower, at EUR13.53/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 | 4,547,675 | 4,552,050 | 350 | 4,725 | -4,375 | 2,218,775 | 122,225 | 2.69 | 149,686 |
| Copper | 374,050 | 373,800 | 250 | - | 250 | 34,275 | 3,050 | 0.82 | 85,380 |
| Lead | 130,125 | 129,650 | 500 | 25 | 475 | 84,975 | 425 | 0.33 | 26,905 |
| Nickel | 129,642 | 129,384 | 324 | 66 | 258 | 51,252 | 1,194 | 0.92 | 27,102 |
| Tin | 26,445 | 26,465 | - | 20 | -20 | 18,655 | 250 | 0.95 | 6,985 |
| Zinc | 427,550 | 428,075 | - | 525 | -525 | 174,050 | 10,825 | 2.53 | 62,730 |

Shanghai 3-month forward prices

| Metal | Open | Last | 1d Change | COMEX active month future prices | Open | Close | Change | Change (%) |
|-----------|--------|--------|-----------|----------------------------------|------|--------|--------|------------|
| Aluminium | 15,210 | 15,230 | 15 | Ali Nov'09 | - | - | - | - |
| Copper | 51,010 | 51,150 | 280 | Cu Nov'09 | 296 | 297.90 | 2.35 | 0.80% |
| Zinc | 16,830 | 16,980 | 185 | | | | | |

ZAR metal prices (3 November 2009)

| | Aluminium | Copper | Lead | Nickel | Tin | Zinc | ZAR/USD fix |
|---------|-----------|--------|--------|---------|---------|--------|-------------|
| Cash | 14,799 | 50,614 | 17,810 | 140,909 | 116,336 | 16,983 | 7.9140 |
| 3-month | 15,367 | 52,010 | 18,273 | 143,288 | 119,300 | 17,549 | 8.0499 |

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) | 83.97 | -0.22 | 85.10 | -0.05 | 85.80 | -0.08 | 88.25 | 0.01 | - | - |
| Gasoil 0.1% Rdam (\$/mt) | 631.75 | 6.50 | 641.00 | 7.25 | 650.50 | 7.25 | 663.75 | 0.00 | 700.50 | -0.25 |
| NWE CIF jet (\$/mt) | 674.11 | -1.09 | 684.73 | -0.16 | 700.18 | 0.85 | 727.71 | -0.18 | 765.50 | -0.08 |
| Singapore Kero (\$/bbl) | 84.27 | -0.22 | 85.80 | 0.35 | 86.95 | 0.27 | 91.05 | 1.39 | 95.65 | 0.74 |
| 3.5% Rdam barges (\$/mt) | 447.65 | 8.25 | 447.00 | 7.12 | 450.08 | 6.62 | 454.58 | 6.32 | 459.24 | 4.71 |
| 1% Fuel Oil FOB (\$/mt) | 463.40 | 3.75 | 466.25 | 4.37 | 476.33 | 4.87 | 487.58 | 5.32 | 505.24 | 3.71 |
| Sing FO 380 Cargo (\$/mt) | 466.25 | 6.12 | 468.08 | 6.37 | 469.96 | 7.09 | 473.32 | 6.41 | - | - |
| Sing FO180 Cargo (\$/mt) | 469.65 | 5.75 | 471.00 | 6.37 | 473.58 | 6.87 | 478.08 | 6.57 | - | - |

| Thermal coal | Q4:09 | | Q1:10 | | Q2:10 | | Cal 11 | | Cal 12 | |
|----------------------|-------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| API2 (CIF ARA) | 76.00 | -0.10 | 86.50 | -0.70 | 81.80 | -0.30 | 97.20 | -1.10 | 106.70 | -1.60 |
| API4 (FOB RBCT) | 67.15 | -0.10 | 76.70 | -0.70 | 72.75 | -0.30 | 87.30 | -1.00 | 96.70 | -1.60 |
| Carbon | Spot | | Dec-09 | | Dec-10 | | Dec-11 | | Dec-12 | |
| ICE - ECX EUA (€/mt) | 14.40 | -0.14 | 14.40 | -0.14 | 14.76 | -0.14 | 15.34 | -0.16 | 16.15 | -0.15 |
| ICE - ECX CER (€/mt) | 13.65 | -0.10 | 13.53 | -0.08 | 13.30 | -0.10 | 13.30 | -0.11 | 13.70 | -0.07 |

Precious metals

| Forwards (%) | 1-month | 2-month | 3-month | 6-month | 12-month |
|--------------|---------|---------|---------|---------|----------|
| Gold | 0.23800 | 0.24400 | 0.27000 | 0.39400 | 0.60400 |
| Silver | 0.57400 | 0.57400 | 0.57400 | 0.57800 | 0.59800 |
| USD Libor | 0.24156 | 0.25500 | 0.27813 | 0.56219 | 1.18188 |

| Technical Indicators | 30-day RSI | 10-day MA | 20-day MA | 100-day MA | 200-day MA | Support | Resistance |
|----------------------|------------|-----------|-----------|------------|------------|----------|------------|
| Gold | 64.91 | 1,053.67 | 1,055.27 | 980.37 | 953.25 | 1,064.00 | 1,097.00 |
| Silver | 55.62 | 16.89 | 17.28 | 15.29 | 14.40 | 16.50 | 17.61 |
| Platinum | 57.50 | 1,339.00 | 1,344.19 | 1,255.49 | 1,189.73 | 1,332.00 | 1,374.00 |
| Palladium | 60.25 | 327.96 | 328.52 | 283.45 | 252.36 | 318.00 | 332.00 |

| Active Month Future | COMEX GLD Dec'09 | COMEX SLV Sep'09 | NYMEX PAL Oct'09 | NYMEX PLAT Oct'09 | DGCX GLD Aug'09 | TOCOM GLD Jun'10 | CBOT GLD Aug'09 |
|-------------------------|------------------|------------------|------------------|-------------------|-----------------|------------------|-----------------|
| Settlement | 1,085.50 | 17.2500 | 329.05 | 1,356.20 | 1,085.40 | 3,159.00 | 1,085.30 |
| Open Interest | 492,016 | 132,289 | 22,359 | 30,645 | 2,050 | 101,193 | 4,311 |
| Change in Open Interest | 10,055 | 1,862 | 79 | -260 | 167 | 1,402 | -3 |

Date: 3 November 2009

Sources: Standard Bank; LME; Bloomberg

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