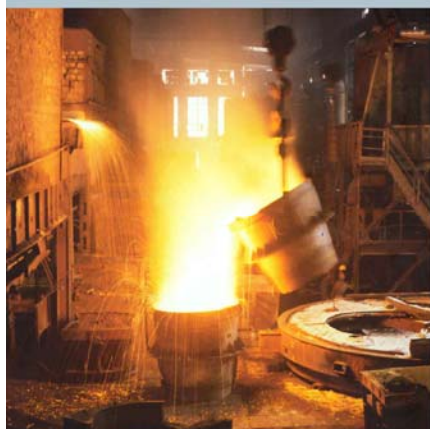


6 November 2009



Focus: SHFE copper forward curve in contango again - The past month has seen the nearby portion of the SHFE copper forward curve shift from being flat / small backwardation into contango. The shift reflects a combination of lacklustre demand, but also a steady increase in SHFE copper inventories. The current situation is in stark contrast to a year ago, when the Chinese embarked on an extended shopping trip, hoovering up significant tonnages of copper from around the world.

- The Fed and BoE, the two central banks who have been most aggressive in quantitative easing (QE), have signalled an end to QE. However, an end to QE should not yet be seen as bearish for precious metals, in particular gold.
- Front-month WTI crude oil is firmer this morning, rising from \$79.60/bbl to \$80.15/bbl after finding support at \$79.30/bbl in New York aftermarket trade yesterday. However, crude should remain quiet ahead of US non-farm payrolls and unemployment data later today
- The base metals have unsurprisingly had another quiet start this morning, ahead of the closely watched US payroll figures this afternoon. Stronger Asian equity markets saw prices rally initially, however as the morning has progressed, the dollar has wrested back control with the metals reverting to tracking the currencies. Volumes are disappointing across the board.

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 (5 November 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,923	1,926	1,940	1,907	4	0.21	1,886.00	-7	-32.25
Copper	6,552	6,531	6,585	6,485	-40	-0.61	6,527.50	-44	-20.75
Lead	2,335	2,340	2,353	2,281	-10	-0.43	2,320.00	8	-25.50
Nickel	17,854	17,760	18,020	17,660	-140	-0.78	17,810.00	-355	-61.00
Tin	14,930	14,975	14,975	14,880	-25	-0.17	15,010.00	10	95.00
Zinc	2,222	2,220	2,231	2,186	-10	-0.45	2,185.50	-16	-26.00

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.29	78.63	78.67	78.28	0.64	0.81%
NYMEX WTI	79.80	79.71	80.13	79.66	0.45	0.56%
ICE Gasoil	635.25	639.75	640.50	629.50	-1.25	-0.20%
API2 Q4'09	76.10	76.25	-	-	0.15	0.20%
ICE EUA Dec09	14.38	14.43	-	-	0.05	0.35%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,088.00	1,089.00	1,093.90	1,084.75	1,088.60	2.10	0.1/0.5
Silver	-	17.49	17.52	17.25	17.38	0.03	0.0/2.0
Platinum	1,334.00	1,330.00	1,363.00	1,354.00	1,357.00	-9.00	4/6
Palladium	326.00	324.00	331.00	329.00	329.00	2.00	1/3

Sources: Standard Bank; LME; BBG



Focus: SHFE copper forward curve in contango again

The past month has seen the nearby portion of the SHFE copper forward curve shift from being flat / small backwardation into contango. The shift reflects a combination of lacklustre demand, but also a steady increase in SHFE copper inventories.

The current situation is in stark contrast to a year ago, when the Chinese embarked on an extended shopping trip, hoovering up significant tonnages of copper from around the world.

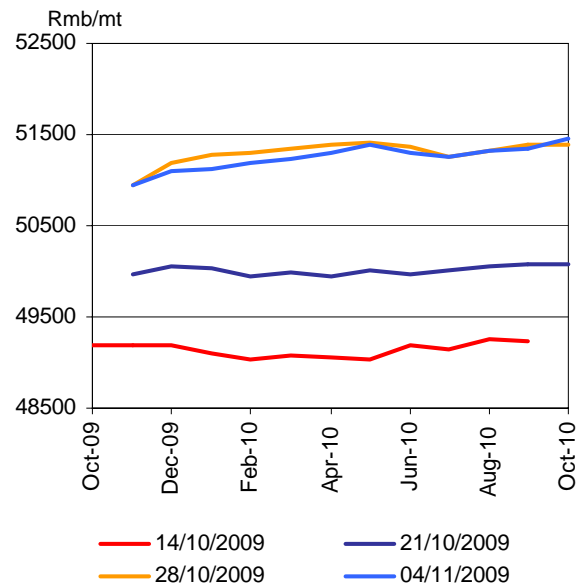
This morning's 1,440 mt increase in SHFE inventories brings total SHFE copper stocks to 104,275 mt, the highest level since April 2004 and over 79,000 mt higher than this time last year. In conjunction with this stock build, LME warehouse stocks in Asian locations have also continued to build after a pause from late September to early October.

Chinese net imports of refined metal have remained pretty firm nevertheless, coming in at 271.9 kt in September, compared to 213.4 kt in August and 285.4 kt in July. Interestingly however, exports of refined metal were 10.7kt in September, compared to 6.3 kt for the first half of the year, (only 1.1 kt for the first 5 months).

SHFE prices are meanwhile moving more or less in tandem with fluctuations on the LME, meaning that the LME-SHFE arbitrage is also little changed and offers little or no incentive for Chinese consumers to import LME metal.

Consequently, the current strength of the copper price appears due predominantly to investment demand. While the investment community will likely keep prices supported over the next few

Figure 1: SHFE copper forward curves (Rmb/mt)



Source: SHFE, Standard Bank

months, the lack of Chinese activity suggests that the near-term risk to prices is skewed to the downside.

Signs of increased Chinese demand, namely a tightening in the SHFE forward curve, falling SHFE inventory and a closing of the SHFE-LME arbitrage should therefore be monitored closely, with the return of the Chinese likely triggering the next leg up in prices.

By Leon Westgate

Base metals

The base metals have unsurprisingly had another quiet start this morning, ahead of the closely watched US payroll figures this afternoon. Stronger Asian equity markets saw prices rally initially, however as the morning has progressed, the dollar has wrested back control with the metals reverting to tracking the currencies. Volumes are disappointing across the board.

With all eyes on this afternoon's US non-farm payroll figures, there is very little going on. Consensus expectations are for the numbers to show a 175k decline in October following a 263k decline in September. There is likely to be a flurry of activity in the immediate aftermath of the figures before the market winds down ahead of the weekend.

Copper prices rallied overnight, boosted by stronger Asian equities, however the red metal has since traded sideways heading into the afternoon, taking direction from the US dollar. Of note, there was another large increase in on-warrant LME stocks this morning (+6,075 mt). The main locations for the gains were Busan (+3000 mt), Singapore (+1000 mt) and Rotterdam (+1200 mt). The figures had little impact on prices however, with the market waiting for the payroll numbers instead.

In the background, concerns over the outcome of wage negotiations at various mines, including Antamina and Andina are also helping to support copper prices, as is the on-going strike at Spence.

The rest of the base metals are generally tracking copper and the dollar, albeit on the back of very thin volumes.

In other news, SHFE inventory figures were higher across the board. Copper stocks climbed 1,440 mt (slightly less than expected), Aluminium stocks posted a 10,983 mt increase, while Zinc stocks gained 8,311 mt.

By Leon Westgate

Precious metals

Markets could be range-bound this morning ahead of US non-farm payrolls data. The market expects a much smaller decline in October employment than September. But if the numbers match consensus, or print better-than-expected, precious metals should find strong support.

The Fed and BoE, the two central banks who have been most aggressive in quantitative easing (QE), have signalled an end to QE — although policy will remain very accommodative for now. However, an end to QE should not yet be seen as bearish for precious metals, in particular gold. **Downside risk to growth is seen to be declining which, combined with continued accommodative policy, should be supportive of especially PGM prices.**

For non-farm payrolls data, the market is looking for a sizable decline in the rate at which unemployment is growing. Expectations are for another 175K jobs shed in October (down from last month's 263K jobs lost). This figure should put US unemployment around 10%.

Gold is still finding strong resistance on approach \$1,100. We expect this to hold — unless non-farm payroll numbers come in much better-than-expected. Good data figures should see risk appetite increase and the dollar weaken, from which gold should benefit. Gold support is at \$1,085 and \$1,080, with resistance at \$1,095 and \$1,100.

Silver looks bullish and could be the main beneficiary if the US payrolls data is positive. We still see strong resistance at \$17.70 and \$18.00. Support is at 17.20 and \$17.00.

By Walter de Wet

Energy

Front-month WTI crude oil is firmer this morning, rising from \$79.60/bbl to \$80.15/bbl after finding support at \$79.30/bbl in New York aftermarket trade yesterday. However, crude should remain quiet ahead of US non-farm payrolls and unemployment data later today; the markets expect a large improvement — **which could be positive for crude oil.**

Overall, the US has seen positive data releases yesterday. US initial jobless claims contracted 3.4% m/m, to 512K, against consensus at 522K. US non-farm productivity jumped 2.9 percentage points q/q, to 9.5% in Q3:09. The US non-farm payrolls and unemployment data should offer clues on the US labour market.

Equity markets are bullish. With the 5-day rolling correlation between front-month WTI crude and the DJIA at 0.60 yesterday, **this could support front-month WTI crude.**

Thermal coal contract prices were firmer yesterday amid higher crude oil prices. There were also more positive demand signals at South Africa's Richards Bay Coal Terminal (RBCT) as export tonnage climbed to 6.75 million tones — the highest level since December 2007. Although RBCT is the main hub for European destined coal, we believe the increased demand for a RBCT is a function of arbitrage buying from India and China — with Chinese Customs data showing coal imports between August and September escalated to the highest level since December 2004. Both API2(CIF ARA) and API4(FOB) for December 2009 delivery gained \$0.15/mt, to \$76.25/mt and \$67.40/mt respectively.

Carbon contracts were steady yesterday amid thin trading volumes. ICE EUA for December 2009 delivery gained EUR0.05/mtCO₂, to EUR14.43/mtCO₂. UN-backed CER for December 2009 delivery shed EUR0.01/mtCO₂, to EUR13.44/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	4,542,100	4,545,375	1,500	4,775	-3,275	2,213,200	123,900	2.73	147,798
Copper	385,575	379,825	6,075	325	5,750	45,800	2,700	0.70	78,482
Lead	130,800	130,925	-	125	-125	85,650	375	0.29	27,039
Nickel	130,062	129,846	336	120	216	51,672	1,152	0.89	28,082
Tin	26,400	26,430	-	30	-30	18,610	210	0.80	45,530
Zinc	426,075	426,675	-	600	-600	172,575	10,600	2.49	72,280

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,240	15,210	20	Ali Nov'09	-	-	-	-
Copper	50,880	51,180	390	Cu Nov'09	297	298.90	2.15	0.72%
Zinc	16,890	16,865	-15					

ZAR metal prices (4 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,322	49,568	17,617	135,244	113,981	16,596	7.5937
3-month	14,871	50,427	18,067	137,127	115,623	17,141	7.7211

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)	85.88	0.01	86.78	-0.50	87.51	-0.35	90.12	-0.20	-	-
Gasoil 0.1% Rdam (\$/mt)	639.75	-1.25	643.25	-4.75	653.50	-4.00	678.25	-1.00	715.25	-0.75
NWE CIF jet (\$/mt)	689.13	-1.07	699.98	-1.25	715.43	-0.90	742.39	-1.00	780.25	-0.58
Singapore Kero (\$/bbl)	85.63	-0.54	87.93	-0.10	88.91	-0.15	92.87	-0.20	97.59	-0.08
3.5% Rdam barges (\$/mt)	452.41	-3.63	452.87	-3.17	455.93	-3.42	460.54	-3.07	466.56	-3.35
1% Fuel Oil FOB (\$/mt)	470.16	-3.88	473.87	-3.17	482.68	-3.17	493.54	-3.07	512.56	-3.35
Sing FO 380 Cargo (\$/mt)	471.62	-3.92	473.68	-3.92	475.78	-3.73	479.94	-2.88	-	-
Sing FO180 Cargo (\$/mt)	473.66	-4.38	476.37	-3.92	478.93	-4.17	484.54	-3.07	-	-

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	76.25	0.15	87.20	0.20	82.20	0.05	97.00	-0.65	104.40	-2.25
API4 (FOB RBCT)	67.40	0.15	77.50	0.30	73.30	0.20	87.10	-0.65	94.30	-2.35
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.43	0.05	14.43	0.05	14.78	0.04	15.35	0.04	16.16	0.06
ICE - ECX CER (€/mt)	13.60	0.00	13.44	-0.01	13.28	0.03	13.30	0.05	13.62	0.00

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.25833	0.27500	0.30500	0.42000	0.60667		
Silver	0.58000	0.58200	0.58200	0.58800	0.59800		
USD Libor	0.24156	0.25313	0.27531	0.55400	1.17000		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	65.54	1,060.89	1,059.31	983.56	955.05	1,084.00	1,097.00
Silver	56.96	16.87	17.26	15.36	14.45	17.26	17.65
Platinum	56.89	1,338.25	1,346.46	1,258.51	1,193.54	1,348.00	1,370.00
Palladium	62.21	326.78	329.63	285.24	253.76	327.00	334.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	1,091.80	17.5000	332.75	1,362.90	1,091.70	3,193.00	1,091.50
Open Interest	511,924	135,544	22,241	32,487	1,933	101,193	4,763
Change in Open Interest	6,020	3,161	-14	1,218	9	0	151

Date: 5 November 2009

Sources: Standard Bank; LME; Bloomberg

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