

**Focus: PGM break through significant resistance** While we prefer palladium and rhodium to platinum, we still see more upside for platinum. Should the ZAR continue to fluctuate around \$7.50, our targets are \$1,500 for platinum, \$380 for palladium and \$2800 for rhodium.

- Copper has been by far the most interesting metal this morning, with a massive 11.5% jump in net SFE open interest - to 380,566 contracts - being coupled with a big increase in LME Select turnover.
- Gold is bullish, and there is no sense in shorting the metal. Our preferred strategy since June has been to buy the dips — we believe this still holds. If liquidity remains ample and the dollar is weakening, as a general rule, investors should be long precious metals and not outright short any commodity.
- Given the activity seen in the base and precious metals, the energy complex has been relatively subdued. Crude oil prices are higher, in line with a weaker dollar, and overall remain rangebound.

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

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,937	1,946	1,980	1,951	-8	-0.41	1,903.50	-15	-33.55
Copper	6,520	6,520	6,702	6,550	17	0.26	6,500.00	25	-19.00
Lead	2,278	2,280	2,324	2,280	15	0.66	2,241.00	-10	-22.25
Nickel	16,160	16,105	16,725	16,300	10	0.06	16,185.00	-145	-59.00
Tin	14,799	14,750	14,850	14,775	50	0.34	14,855.00	80	61.00
Zinc	2,177	2,175	2,232	2,194	24	1.12	2,136.00	5	-26.50

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	76.79	77.22	77.59	76.79	0.91	1.18%
NYMEX WTI	76.58	77.22	77.56	76.35	0.87	1.13%
ICE Gasoil	609.00	617.50	620.50	609.00	6.50	1.05%
API2 Q1'10	67.80	66.90	-	-	-0.90	-1.35%
ICE EUA Dec09	12.61	12.58	-	-	-25.19	-0.24%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,128.75	1,104.00	1,122.75	1,104.00	1,116.50	10.00	-1.0/0.3
Silver	-	17.72	17.73	17.05	17.36	0.09	-1.0/1.0
Platinum	1,418.00	1,359.00	1,390.00	1,360.00	1,380.00	25.00	3/5
Palladium	363.00	354.00	355.00	345.00	353.00	5.00	0/2

Sources: Standard Bank; LME; BBG



### Focus: PGM break through significant resistance

After having stagnated at \$1,320 to \$1,370 for some time, platinum is now trading above \$1,400, palladium is above \$360, and rhodium is also rising.

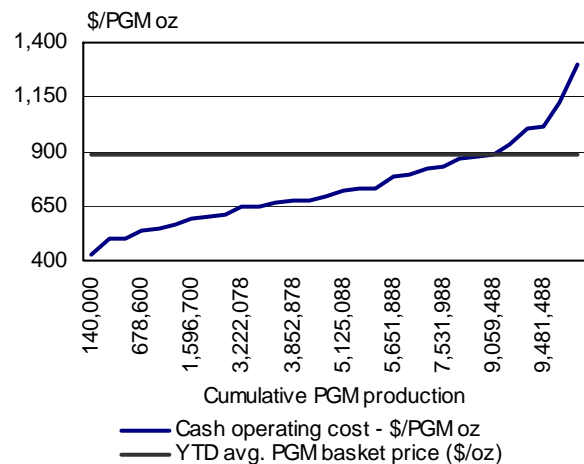
Despite speculative interest for metals still being very high, **we see more upside for PGM**. The latest CFTC data shows that in the futures market, the *net speculative length as a percentage of open interest has reached 62% for platinum and 56% for palladium*. Both are high, and increases the risk of holding long positions in these metals.

However, **we see still see good support for PGM prices**. Our cost-curve estimates for South African PGM producers show that using the YTD average PGM basket price, 10% of production on a cash-cost basis remains unprofitable. On a total cost basis, even more production remains at risk.

Cost pressures face the persistently strong rand which has been strengthening as investors want greater EM and investors commodity exposure, especially to gold. **We expect the strong rand to remain intact, which implies that dollar prices for platinum must rise further to offset the rand.**

We see increased demand for PGM. On a relative basis, we favour rhodium and palladium more than platinum. Rhodium has lagged the price recovery of platinum and palladium. For palladium, the improvement in industrial demand for is observed in

### SA PGM cash cost curve



Source: Standard Bank

the discounts for sponge. At the height of the financial crisis, when the PGM were trading at their weakest level, sponge was trading at a discount of approximately \$7 to Zurich. Sponge is now trading almost flat to ingots in Zurich.

While we prefer palladium and rhodium to platinum, we still **see more upside for platinum**. Should the ZAR continue to fluctuate around \$7.50, our targets are **\$1,500 for platinum, \$380 for palladium and \$2800 for rhodium**.

By Walter de Wet

## Base metals

The base metals closed strongly on Friday with short covering emerging late-on after late. The rally came in spite of poor US economic data, with the metals following the dollar rather than the data.

Copper has been by far the most interesting metal this morning, with a massive 11.5% jump in net SFE open interest - to 380,566 contracts - being coupled with a big increase in LME Select turnover. The main focus for the increase in SFE activity was the Feb-10 and Mar-10 contracts, with big gains in open interest more than offset declining open interest in the Nov-09, Dec-09 and Jan-10 contracts. Prices for the Feb-10 SFE copper contract - the most liquid contract at the moment - rallied just over 3%, while LME 3-month prices have also climbed very strongly, trading back above \$6,700 this morning.

Quite why Chinese interest in copper has jumped so strongly today remains unclear. The obvious reasons are either improved order books for next year, or concerns by Chinese investors over the possible impact on inflation that maintaining the yuan-dollar peg will have, in the face of expectations of further dollar weakness. Given the suddenness of the move, it would appear to be the latter, however, we note that it was this time last year that the Chinese started to buy copper in bulk, albeit at much lower price levels.

In other news, Codelco is reported to have raised its premium to Chinese customers to \$85/mt for 2010, compared to the \$72-75 levels seen this year. Meanwhile, LME copper inventories picked up again with on-warrant stocks climbing by 2,950 mt. Interestingly, the main location for the increase was Hamburg (+2,000 mt), with only 250 mt entering Asian warehouses.

Elsewhere, the other base metals haven't had much of a look in. While LME Select volumes for copper are well on track to overhaul Friday's total by the early afternoon, turnover amongst the rest of the complex remains very poor indeed. Prices are higher across the board however, helped by a weaker dollar and concerns over snow-related transport disruption in China after the heaviest snowstorms in 60 years swept across central and northern provinces.

Zinc in particular rallied strongly overnight, on concerns over disruption in China, though volumes remain relatively subdued. Of note, on-warrant zinc stocks climbed 10,100 mt this morning, the main location for the increase being Detroit, up 8,000 mt. The zinc inventory figures have however been largely ignored by the market.

By Leon Westgate

## Precious metals

Gold is bullish, and there is no sense in shorting the metal. Our preferred strategy since June has been to buy the dips — we believe this still holds.

Despite weak US consumer confidence data on Friday, risky assets such as equities and commodities have rallied. Liquidity seems to have drowned the market's fears. Partly because of this liquidity provided by the Fed, we still expect the dollar to depreciate towards \$1.60 against the euro by the end of Q1:10. If liquidity remains ample and the dollar is weakening, as a general rule, investors should be long precious metals and not outright short any commodity.

Gold rallied to \$1,133 this morning in Asia after the market was seemingly caught short on Friday. There is some resistance at \$1,130, which may see gold drop to \$1,125 and possibly \$1,110. Such dips should be bought. Our next target for gold remains \$1,150 — a real possibility. Should \$1,150 break in the next couple of days, \$1,200 would be our next target. (There is also about 3m oz of open interest on the COMEX calls with strike at \$1,200. Expiry for these options is next Monday.)

Silver is higher on the back of gold. However, the \$18.00 level still offers strong resistance, which we expect to hold. Silver support is at \$17.40 and \$17.00, and resistance is at \$18.00 and \$18.25.

We remain bullish on PGM (refer to *Focus*). However, some consolidation may be on the cards.

Key to precious metals will be US retail sales data this afternoon. Better-than-expected data may see US equities rise and the dollar fall.

By Walter de Wet

## Energy

Given the activity seen in the base and precious metals, the energy complex has been relatively subdued. Crude oil prices are higher, in line with a weaker dollar, and overall remain rangebound. Front month WTI has closed below its 30-day MA on Friday for the first time since October 7th, however it is hanging on and has climbed back above \$77 heading into the afternoon.

While the currencies will likely continue to dominate short term price direction, this afternoon sees the release of the US Advance Retail Sales for October. Expectations are for 0.9% increase after the previous month's 1.5% decline, with any significant deviation from consensus expectations likely to impact on currencies and on commodity prices. Later on this afternoon (17.15 UK time), Ben Bernanke is speaking in New York about the US economic outlook.

Meanwhile in other news, the OPEC president - Angolan Oil Minister Jose Maria Botelho de Vasconcelos - noted that current crude oil prices are at a good level and that OPEC is happy with crude oil prices trading in a \$75-\$78/bbl range. Speaking at a conference in Abu Dhabi, he went on to note that even if prices reach \$80/bbl the global economy should still be able to recover. The next scheduled OPEC meeting to review production quotas is set for December 22nd.

Coal continues to track crude oil, however the spreads are tightening with the general trend being a stronger performance towards the front end of the curve, coupled with a weaker performance towards the back. API2 for Q1-10 was up 50¢ on Friday while Q4-10 fell by 5¢. Cal-10 is meanwhile struggling to break resistance at \$85.

By Leon Westgate

## 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	4,537,025	4,537,200	4,650	4,825	-175	2,208,125	123,150	2.71	132,735
Copper	406,450	403,625	3,075	250	2,825	66,675	1,600	0.39	88,032
Lead	132,225	132,250	#N/A N/A	25	-25	87,075	775	0.59	19,131
Nickel	131,880	131,748	174	42	132	53,490	1,206	0.91	22,898
Tin	26,825	26,850	#N/A N/A	25	-25	19,035	205	0.76	36,419
Zinc	434,500	425,200	10,125	825	9,300	181,000	9,475	2.18	44,529

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,170	15,260	125	Ali Nov'09	-	-	-	-
Copper	51,210	51,910	1,100	Cu Nov'09	300	305.60	5.65	1.88%
Zinc	17,315	17,395	425					

### ZAR metal prices (13 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,173	48,399	16,686	120,514	110,610	15,905	7.4460
3-month	14,734	49,367	17,263	121,941	111,681	16,468	7.5716

## 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)	83.55	-0.86	82.32	-0.58	82.97	-0.66	85.59	-0.59		
Gasoil 0.1% Rdam (\$/mt)	617.50	6.50	628.75	6.75	637.00	7.00	657.00	7.00	685.50	-3.50
NWE CIF jet (\$/mt)	666.12	-2.43	667.00	-4.59	680.10	-4.93	707.14	-4.40	746.17	-3.50
Singapore Kero (\$/bbl)	84.22	-0.85	83.72	-0.73	84.57	-0.81	87.12	-0.73	92.44	-0.62
3.5% Rdam barges (\$/mt)	439.27	-0.95	440.27	-1.01	443.02	-1.38	446.63	-2.16	453.12	-2.87
1% Fuel Oil FOB (\$/mt)	458.52	-2.45	459.52	-2.76	471.02	-2.38	480.38	-3.16	499.87	-3.37
Sing FO 380 Cargo (\$/mt)	463.02	-0.51	464.02	-0.63	464.93	-0.87	467.66	-1.22		
Sing FO180 Cargo (\$/mt)	464.27	-0.45	466.27	-0.51	468.02	-0.63	471.38	-1.16		

Thermal coal	Q1-10	Q2-10	Q3-1	Cal 11	Cal 12					
API2 (CIF ARA)	79.85	82.60	85.70	98.07	104.89					
API4 (FOB RBCT)	72.25	74.35	76.70	88.30	94.79					
Carbon	Spot	Dec-09	Dec-10	Dec-11	Dec-12					
ICE - ECX EUA (€/mt)	14.43	0.05	14.43	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	0.24800	0.27600	0.30200	0.40800	0.58400		
Silver	0.56600	0.56600	0.56600	0.57000	0.58000		
USD Libor	0.23750	0.25031	0.27250	0.52063	1.09063		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	68.34	1,103.83	1,076.33	994.20	961.13	1,110	1,150
Silver	56.93	17.44	17.21	15.57	14.60	17.50	18.00
Platinum	61.87	1,366.95	1,353.13	1,270.10	1,205.50	1,400	1,450
Palladium	70.26	339.70	334.56	291.25	257.98	350	370
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	1,127.50	17.7250	364.10	1,388.70	1,127.00	3,256.00	1,127.30
Open Interest	518,070	133,987	22,145	33,605	2,089	106,203	4,381
Change in Open Interest	-2,740	347	37	-276	-259	894	152

Date: 13 November 2009

Sources: Standard Bank; LME; Bloomberg

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