

November 21st 2008

Precious metals daily update

Gold steady, PGM slides

Commodities took strain again yesterday. WTI crude dropped below \$50, and base metals kept sliding. PGM slipped further, but gold held steady.

Bearish sentiment into year-end is draining liquidity from the markets. Equity markets had another torrid day, with US shares falling more than 5%, while the FTSE closed down 3.3%. However, some consolidation might take place today. After trading in the red overnight, the Nikkei is back in positive territory this morning, but only just. Equity futures are up more than 2%, pricing in a sizable rebound in US shares later today.

While any positive sentiment in markets should support commodities, a rebound in US equities could support platinum and palladium in particular. An equities rebound could be spurred by prospects of a bail-out plan for US car-makers. Therefore, we see upside for PGM today, especially after yesterday's slide in platinum and palladium (but any recovery would still be limited). There is a caveat to this: look out for the Eurozone PMI manufacturing index today. We expect the index to signal a manufacturing sector still in contraction. A large decline in the reading could put PGM prices under pressure.

On the FX front, volatility is back, with the euro bouncing between \$1.2600 and \$1.2400 against the dollar. Should the Eurozone data today come in more negative than expected, the euro will come under strain.

On a positive note, Libor rates are on the decline again. After briefly rising since Monday, the 1-month US Libor is now only 35 bps above the Fed funds rate. Slowly but surely interbank lending is normalising.

Gold had a positive, but volatile, day. After finding initial resistance at \$740 in Tokyo, buying interest, supported by a stronger euro, pushed gold to \$745 when European markets opened. With liquidity thin, and European equities down, gold bounced between \$740 and \$750. Although this continued in New York, gold finally managed to break above \$750 in New York as the Dow clawed back some of its earlier losses. The metal closed at **\$748**. Primary support is at \$725, with secondary support at \$714 and \$700. Resistance is at \$755, \$774 and \$800.

Prices (US\$)							
Metal	AM Fix	PM Fix	High bid	Low offer	Close bid	Daily change	EFP's
Gold	745.25	738.00	753.00	735.50	748.00	12.00	-0.50/-0.10
Silver	-	9.390	9.430	8.87	9.07	-0.26	-3.50/-1.5
Platinum	803.00	797.00	814.00	783.00	785.00	-35.00	2/5
Palladium	183.00	179.00	195.00	178.00	179.00	-13.00	-1/2

Forwards (%)					
Metal	1 month	2 months	3 months	6 months	12 months
Gold	0.0800	0.0450	0.0500	0.4633	0.8917
Silver	0.0617	0.0900	0.2183	0.4167	0.4533
USD Libor	2.4638	2.6713	2.8038	3.0938	3.2406

Technical indicators							
Metal	30-day-RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.36	737.62	739.92	834.44	876.00	738	755
Silver	38.81	9.57	9.66	13.10	15.44	8.78	9.42
Platinum	35.48	828.92	827.37	1,276.45	1,658.15	762	810
Palladium	38.25	210.73	205.34	276.80	368.64	174	186

Active Month Futures							
	Comex GLD Dec'08	Comex SLV Dec'08	NYMEX PAL Dec'08	NYMEX PLAT Oct'08	DGCX GLD Oct'08	TOCOM GLD Jun'09	CBOT GLD Dec'08
Settlement	748.70	9.0490	181.05	790.10	750	2,263.00	748.70
Open Interest	290,560	91,929	13,652	17,011	944	79,440	5,479
Change in OI*	860	76	297	280	54	2,142	-7
Date:	20-Nov-08		* Open interest				

Silver held steady between \$9.30 and \$9.40 in Asia and Europe, but was sold off aggressively in New York. It held support at \$8.83, and bounced to a close of **\$9.07**.

Platinum and **palladium** saw good volumes in Tokyo. Both metals were sold off aggressively in early morning trade. This resulted in platinum falling to \$790. Palladium, on the back of US woes, dropped all the way to \$182. Platinum found some support at the \$790, but never regained the early morning losses. When New York markets opened, the selling resumed, pushing platinum to a close of **\$785** (after bouncing off a low of \$778). After falling below \$200, palladium remained under pressure. After reaching a low of \$175 in New York, it closed at **\$179**.

Rhodium fixed at **\$1,195**.

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Date/Time (GMT+2)		Data/Event	Consensus	Previous
17-Nov				
01:50	JPY	GDP (Q3)	0.1% q/q	-3.0% q/q
02:01	GBP	House prices (Nov)	—	-4.9% y/y
08:00	JPY	BOJ's Nishimura speaks	—	—
10:00	EUR	ECB's Tumpel-Gugerell speaks	—	—
12:00	EUR	Trade balance (Sep)	—	-€9.3bn
15:30	USD	Empire Manufact (Nov)	-27.0	-24.6
16:00	USD	Fed's Hoenig speaks	—	—
16:15	USD	Industrial production (Oct)	-0.2% m/m	-2.8% m/m
18-Nov				
	ZAR	Treasury briefing on financial crisis	—	—
10:10	EUR	ECB's Tumpel-Gugerell speaks	—	—
11:30	GBP	CPI (Oct)	4.9% y/y	5.2% y/y
15:30	USD	PPI (Oct)	6.2% y/y	8.7% y/y
16:00	USD	Total net TIC flows (Sep)	—	-\$0.4bn
17:00	EUR	ECB's Stark speaks	—	—
20:30	EUR	ECB's Trichet speaks	—	—
19-Nov				
11:30	GBP	BOE minutes	—	—
15:30	USD	CPI (Oct)	4.1% y/y	4.9% y/y
15:30	USD	Housing starts (Oct)	780K	817K
16:00	USD	Fed's Kohn speaks	—	—
20:30	USD	Fed's Lacker speaks	—	—
21:00	USD	FOMC minutes	—	—
20-Nov				
11:30	GBP	Retail sales (Oct)	1.5% y/y	1.8% y/y
15:30	USD	Initial jobless claims (Nov)	—	516K
15:30	USD	Continuing claims (Nov)	—	3,897K
17:00	USD	Phili Fed (Nov)	-35.0	-37.5
17:00	USD	Leading indicators (Oct)	-0.6%	0.3%
21-Nov				
—	ZAR	SARB's Mboweni speaks	—	—
01:30	USD	Treasury's Paulson speaks	—	—
04:00	USD	Fed's Bullard speaks	—	—
04:00	JPY	BOJ rate decision	0.30%	0.30%
09:00	ZAR	Civil cases for debt (Sep)	—	20.8% y/y
11:00	EUR	PMI manufacturing (Nov)	40.5	41.1
11:00	EUR	PMI services (Nov)	45.2	45.8
13:30	EUR	ECB's Gonzalez-Paramo speaks	—	—
15:15	USD	Fed's Lacker speaks	—	—
19:15	USD	Fed's Plosser speaks	—	—
19:40	USD	Fed's Evans speaks	—	—



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