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Focus: **Swiss flow data supports palladium relative to platinum** The latest Swiss PGM import/export data was released yesterday. Switzerland is an important hub for global PGM flows. From a production cost perspective, we see more upside for platinum, and we also believe that palladium could continue to outperform platinum.

- While base metals trade was choppy yesterday, they remain well supported, as risk appetite in financial markets has been solid. After yesterday's bullish Chinese data, combined with a US dollar trading above $1.5000 against the euro, the base metals complex saw good support on the downside.
- Gold has come under pressure this morning, slipping from $1,064 to $1,057 as the greenback strengthened from $1.5064 to $1.4991 against the euro.
- Crude oil prices are directionless. Front-month WTI crude oil climbed from $81/bbl to $81.80/bbl in Asia before sliding to $81.15/bbl in London. Primary support and resistance for front-month WTI crude are at $80.10/bbl and $82.09/bbl respectively. ICE Brent crude support and resistance are at $78.40/bbl and $80.25/bbl respectively.

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Commodity price data (22 October 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,982	1,966	2,000	1,954	0	0.00	1,949.00	89	-35.00
Copper	6,570	6,590	6,645	6,528	5	0.08	6,565.50	220	-23.00
Lead	2,425	2,410	2,455	2,361	-40	-1.64	2,410.50	165	-25.00
Nickel	19,600	19,155	19,725	19,100	-535	-2.71	19,455.00	630	-77.00
Tin	14,600	14,945	15,075	14,400	550	3.81	14,820.00	70	380.00
Zinc	2,239	2,251	2,265	2,202	15	0.67	2,240.00	126	-24.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	79.73	79.88	80.15	79.50	0.37	0.46%
NYMEX WTI	81.26	81.02	81.78	81.07	0.32	0.39%
ICE Gasoil	654.50	657.00	658.25	653.50	3.25	0.49%
API2 Q4'09	74.40	75.15	-	-	0.75	1.00%
ICE EUA Dec09	14.93	14.61	-	-	-0.32	-2.14%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	1,054.75	1,053.00	1,061.50	1,052.50	1,057.50	-5.70	0.3/0.7
Silver	-	17.68	17.69	17.37	17.52	-0.27	1.0/3.0
Platinum	1,356.00	1,358.00	1,367.00	1,360.00	1,360.00	-5.00	5/7
Palladium	335.00	335.00	337.00	336.00	335.00	-1.00	1/3

Sources: Standard Bank; LME; BBG

Focus: Swiss flow data supports palladium relative to platinum

The latest Swiss PGM import/export data was released yesterday. Switzerland is an important hub for global PGM flows.

After bullish August Swiss customs figures, Switzerland was once again a net importer of platinum in September. The country imported 222,107oz of Pt, and exported 139,341oz of Pt, leaving it a net importer of 82,766oz of Pt for the month. China remains a large source of demand; Pt imports into China continue apace.

From a production cost perspective, **we see more upside for platinum**.

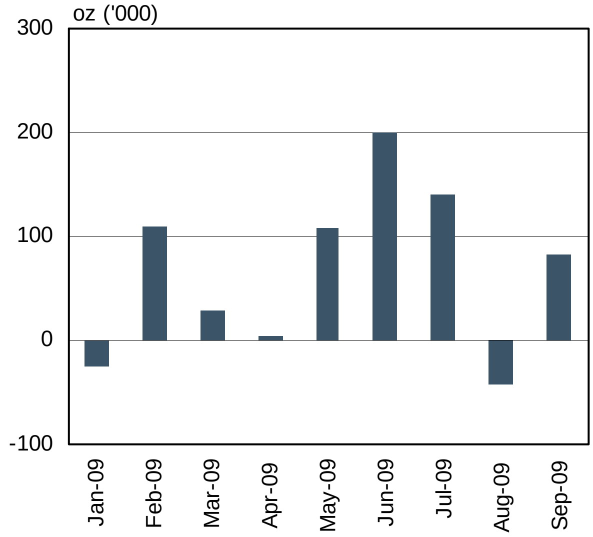
However, the latest Swiss figures also show that once PGM prices have risen enough to relieve the cost pressures on producers, there isn't yet enough upside from a demand perspective to push platinum much higher. **We believe platinum should be closer to ZAR11,200** (currently around ZAR10,000).

According to the Swiss data, palladium demand still looks much more robust than platinum demand (this has been the case YTD). Switzerland remains a net exporter of palladium for the seventh month running. Switzerland net exported 156,917oz of palladium. The main importers of palladium from Switzerland was the UK (62,860 oz), China via HK (25,100K oz) and the US (97,167 oz). Exports to the UK could once again be for ETF holdings. The main country exporting to Switzerland was Germany (25,9710z)

We believe that palladium could continue to outperform platinum.

By Walter De Wet

Figure 1: Net platinum imports into Switzerland



Sources: China NBS, Global Markets Research

Base metals

While base metals trade was choppy yesterday, they remain well supported, as risk appetite in financial markets has been solid. After yesterday's bullish Chinese data, combined with a US dollar trading above $1.5000 against the euro, the base metals complex saw good support on the downside. The Dow Equity Index in the US also managed to hang on to the 10,000 level, while the S&P index in the US as testing the strong resistance level at 1,100.

All these factors are enhancing risk appetite. However, commodity markets remain cautious, as price levels do not reflect the underlying real demand — as evidenced by the failure of base metals to gain more upside during US trading hours yesterday.

The data front in the US is quiet today, with only existing home sales figures due for release. With the weekend ahead, there might be some profit-taking after the good run in prices so far this week. This could cap upside for base metals.

After testing $6,640 yesterday, copper retraced from to $6,590 at the PM Kerb. There are reports that the Chilean government is urging mineworkers and BHP Billiton to reach a deal at the Spence Mine in Chile. Also, Codelco indicated that it would table an early wage offer to avoid strikes. The current labour contract with workers at Codelco ends in December. **Supply issues, on the back of the wage negotiations, have been providing additional support to copper**.

Aluminium attempted to break above $2,000 yesterday on an increasingly bullish oil market. However, the $2,000 price level still offers strong resistance, and we believe that energy prices would have to move closer to $90, and remain there, before aluminium would be able to sustain a move above $2,000. That said, the next strong resistance for WTI crude is $87/bbl, and should crude break above this, technical buying could see crude test $90. We do note believe oil is sustainable above $90 yet.

Zinc is still moving higher and, although it tracked copper, mainly sideways, it remains at levels last seen in May 2008. We still see the outlook for zinc, on a relative basis to other base metals, as positive. **Lead closed at $2,405**, while nickel saw selling as the complex drifted lower. **Nickel closed at $19,200** — this is $535 down on the day.

By Walter de Wet

Precious metals

Gold has come under pressure this morning, slipping from $1,064 to $1,057 as the greenback strengthened from $1.5064 to $1.4991 against the euro. With gold also closely tracking crude oil prices (the 5-day rolling correlation between front-month WTI crude and spot gold at 0.64), WTI crude's dip, from $81.80/bbl to $81/bbl in electronic trade, also weighed on the gold price. However, gold could benefit from positive news on the demand side after the World Gold Council reported a 5.7% y/y increase in Indian physical gold sales during this year's Diwali week (12-17 October). **Gold primary support and resistance are at $1,054 and $1,066 respectively today**.

ETF Securities Ltd increased its silver investment holdings by 105,467.67oz this morning; this failed to support silver because the gold price dip weighed on sentiment. Silver ranged between $17.75 and $17.61 in early London trade. **Silver support and resistance are at $17.40 and $17.88 respectively**.

Platinum was supported on the back of positive Swiss PGM demand data (Switzerland was a net importer of platinum in September) (*refer to Focus*). Better-than-expected German PMI Manufacturing index, which rose to 51.1 in October against market expectations at 50.1, also provided positive demand signals for platinum. It found support at $1,364 in Asia before rising to $1,377 in early European trade — the highest level since September 2008. **Platinum support and resistance are at $1,359 and $1,379 respectively today**.

Manqoba Madinane

Energy

Crude oil prices are directionless. Front-month WTI crude oil climbed from $81/bbl to $81.80/bbl in Asia before sliding to $81.15/bbl in London. The 5-day rolling correlation between the Shanghai Composite and front-month WTI crude has fallen from 52% to 27%. This reduced correlation between crude oil and equity markets today could see crude oil investors on the sidelines, analysing recent demand developments — which could mean that WTI crude might encounter resistance today (after largely ignoring builds on API and DOE crude oil inventories were on Tuesday and Wednesday). **Primary support and resistance for front-month WTI crude are at $80.10/bbl and $82.09/bbl respectively**.

Front-month ICE Brent crude tracked the WTI contract this morning, sliding from $80.16/bbl to $79.45/bbl despite a 3.02% m/m gain in Germany's PMI Manufacturing index. The Atlantic Basin spread contracted from $1.85/bbl on Tuesday to $1.68/bbl this morning — signalling reduced US implied crude oil import demand, which could weigh on front-month ICE Brent crude. **Support and resistance are at $78.40/bbl and $80.25/bbl respectively**.

Thermal coal contracts were firmer in London yesterday, supported by positive Chinese economic data which showed GDP expanded 8.9% q/q in Q3:09, while industrial production increased 13.9% y/y in September. This bodes well for thermal coal demand, with China the largest coal consumer. API2(CIF ARA) for Q4:09 delivery gained $0.75/mt, to $75.15/mt. API4 (FOB) for Q4:09 delivery gained $0.65/mt, to $66.70/mt.

Carbon contracts came under pressure yesterday amid technical resistance and lower German base load power prices. ICE EUA for December 2009 delivery shed EUR0.32/mtCO2, to EUR14.61/mtCO2; UN-backed CER for December 2009 delivery erased EUR0.25/mtCO2, to EUR13.56/mtCO2.

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	4,585,500	4,589,900	-	4,400	-4,400	2,256,600	88,525	1.93	183,846
Copper	364,075	362,550	2,500	975	1,525	24,300	5,525	1.52	131,766
Lead	129,100	129,525	-	425	-425	83,950	1,650	1.28	27,565
Nickel	123,582	123,666	-	84	-84	45,192	876	0.71	31,615
Tin	26,565	26,615	35	85	-50	18,775	405	1.52	44,954
Zinc	426,050	426,550	-	500	-500	172,550	9,600	2.25	65,000

Shanghai 3-month forward prices			
Metal	Open	Last	1d Change
Aluminium	15,010	15,050	5
Copper	50,800	51,000	170
Zinc	16,555	16,600	70

COMEX active month future prices				
	Open	Close	Change	Change (%)
Ali Oct'09	85	85.75	0.75	0.88%
Cu Oct'09	300	303.40	3.60	1.20%

ZAR metal prices (22 October 2009)	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,588	49,143	18,043	145,621	110,928	16,766	7.4850
3-month	14,968	50,174	18,349	145,839	113,785	17,138	7.6136

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 ($/bbbl)	79.82	0.71	86.75	0.84	87.68	0.81	90.10	0.70	-	-
Gasoil 0.1% Rdam ($/mt)	657.00	3.25	663.75	3.50	672.75	4.50	690.25	4.75	720.50	4.25
NWE CIF jet ($/mt)	658.91	0.16	700.27	3.75	709.20	4.75	733.00	3.50	778.91	4.25
Singapore Kero ($/bbl)	80.20	0.60	87.10	0.54	88.63	0.61	91.85	0.60	96.83	0.58
3.5% Rdam barges ($/mt)	424.28	2.55	441.24	-4.97	443.33	-5.05	451.33	-5.06	459.79	-5.80
1% Fuel Oil FOB ($/mt)	438.64	1.75	463.24	-4.22	467.08	-4.55	483.33	-4.31	508.04	-5.30
Sing FO 380 Cargo ($/mt)	459.74	-4.47	462.08	-4.55	464.76	-4.89	470.23	-4.52	-	-
Sing FO180 Cargo ($/mt)	443.54	2.38	463.99	-4.72	466.58	-4.80	474.08	-4.56	-	-
Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	75.15	0.75	92.75	1.00	86.25	0.95	103.90	0.85	113.50	0.85
API4 (FOB RBCT)	66.70	0.65	82.85	0.70	77.15	0.60	93.90	0.45	103.50	0.85
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.60	-0.32	14.61	-0.32	15.00	-0.32	15.60	-0.34	16.41	-0.35
ICE - ECX CER (€/mt)	13.75	-0.24	13.56	-0.25	13.24	-0.23	13.23	-0.23	13.60	-0.18

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.24833	0.27333	0.30500	0.41167	0.63667
Silver	0.54000	0.54000	0.54833	0.56000	0.59000
USD Libor	0.24375	0.25400	0.28219	0.58188	1.23188

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	64.35	1,058.15	1,039.36	971.74	946.16	1,054.00	1,066.00
Silver	61.09	17.65	17.25	15.14	14.20	17.40	17.88
Platinum	61.19	1,355.53	1,329.66	1,248.13	1,174.36	1,359.00	1,379.00
Palladium	70.06	332.40	317.77	277.42	246.87	332.00	340.00

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	1,062.50	17.7200	339.50	1,369.90	1,062.60	3,139.00	1,063.30
Open Interest	516,832	137,437	22,307	32,458	1,773	96,467	4,149
Change in Open Interest	7,154	1,981	60	231	-32	1,817	28

Date: 22 October 2009

Sources: Standard Bank; LME; Bloomberg

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