Commodities Daily

Standard Bank

Commodities Research

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Focus: **Gold well supported since late last week** For the first time in two weeks, gold is enjoying good support. Speculative activity in the gold market is still rising steadily. The futures market remains very bullish on gold. While we still believe gold could reach $1,100 in Q4:09, strong resistance remains at $1,070-$1,075. We would wait for a push higher toward this resistance level. Dollar weakness means that it is only a question of time before this resistance is breached. **Buy dips**.

- **Base metals continue to find good support**.

- **Precious metals remain well supported**. While gold is still meeting strong resistance on approach of $1,070, we are seeing much better support than we did in the physical market (refer to *Focus*). Combined with the dollar weakness, which gold has largely ignored last week, gold could retest the $1,070 level soon. Our overall strategy: buy price dips in gold.

- **Crude oil prices encountered strong resistance this morning** despite the US dollar weakening from $1.4981 to $1.5064 against the euro in Asia. After slipping from $81.20/bbl to $79.50/bbl on Friday, front-month WTI crude range-traded between $80.05/bbl and $79.56/bbl in electronic trade this morning. We believe a reduced geopolitical risk premium in crude oil prices, after Nigerian militants ordered a cease-fire and expressed willingness to engage in negotiations to end conflicts in the Niger Delta, is weighing on crude oil sentiment this morning.

Commodity price data (23 October 2009)

Base metals LME 3-month	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,983	1,973	2,000	1,956	6	0.31	1,948.50	-1	-34.50
Copper	6,660	6,650	6,714	6,571	54	0.82	6,640.00	75	-23.25
Lead	2,435	2,361	2,459	2,360	-45	-1.87	2,405.50	-5	-24.75
Nickel	19,550	18,995	19,600	18,825	-250	-1.30	19,495.00	40	-72.00
Tin	14,900	15,300	15,600	14,895	145	0.97	15,350.00	530	270.00
Zinc	2,290	2,272	2,298	2,237	23	1.02	2,269.00	29	-24.50

Energy	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.49	78.28	78.65	78.15	-0.64	-0.82%
NYMEX WTI	79.65	79.75	80.02	79.57	-0.75	-0.94%
ICE Gasoil	645.75	644.75	647.50	644.75	0.00	0.00%
API2 Q4'09	75.15	75.25	-	-	0.10	0.13%
ICE EUA Dec09	14.61	14.36	-	-	-0.25	-1.71%

Precious metals	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	1,061.25	1,061.75	1,067.70	1,050.50	1,055.50	-2.00	0.3/0.7
Silver	-	17.68	17.94	17.50	17.68	0.16	1.0/3.0
Platinum	1,369.00	1,372.00	1,374.00	1,365.00	1,360.00	0.00	5/7
Palladium	335.00	338.00	338.00	336.00	335.00	0.00	1/3

Sources: Standard Bank; LME; BBG

Focus: Gold well supported since late last week

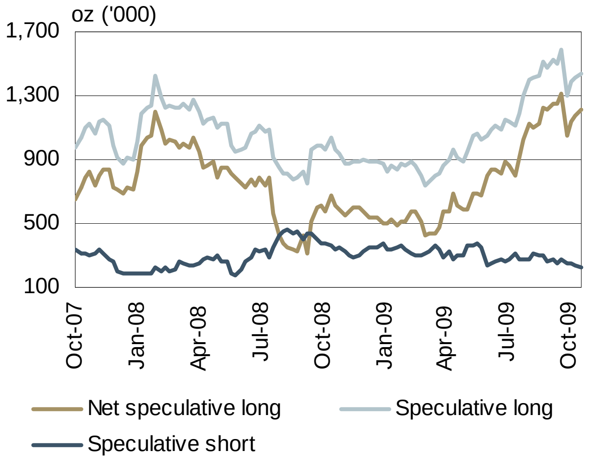
For the first time in two weeks, we see good support for gold. Speculative activity in the gold market is still rising steadily. Also for the first time in two weeks, we see renewed support in the physical market.

While on a net basis, speculative length for gold declined marginally last week, **the futures market remains very bullish on gold**.

According to the latest CFTC data, non-commercial long positions have reached 969 tonnes, down from 982 tonnes from the previous week. However, the decline in non-commercial short positions has outpaced the decline in longs. Short speculative positions declined by 6 tonnes, to 74 tonnes. This leaves the net non-commercial position at 895 tonnes, down a mere 7 tonnes from the previous week. This position remains more than double the longs we have seen in April when the equity markets started their recovery, and a massive 735 tonnes higher than the lows reached in November last year. Net speculative length now accounts for 41% of total open interest (last week: 42%).

The CFTC figures show a very bullish speculative market. Our physical market index, having turned positive again, shows support for gold from physical demand. **While we still believe gold could reach $1,100 in Q4:09, strong resistance remains at $1,070-$1,075. We would wait for a push higher toward this resistance level.** Dollar weakness, although it has been ignored over the past week, means that it is only a question of time before this resistance is breached. **Buy dips**.

Figure 1: CFTC gold non-commercial positions



Sources: CFTC, Global Markets Research

By Walter de Wet

Base metals

Base metals continue to find good support. We expect this support to remain in place. Risk appetite remains in place, with equities in Europe pushing higher this morning. The futures market is signaling the same for US equities.

While it will be a quiet day in terms of data releases today, the main focus this week will be on US GDP data on Thursday. After China's strong growth figures last week, the market expects a 3.2% q/q GDP growth figure for the US (following -0.7% q/q in Q2).

Energy (and base metals to a lesser extent) could have the most exposure to the US growth figure. Although the figures are backward-looking, they should still show where growth is coming from in the US economy. It should show that the US economy is benefiting from higher consumer spending (due to indirect government support), higher outright government spending, and higher exports (due to the weaker dollar). But corporates are likely to have continued their de-stocking (although at a slower pace). **A positive growth figure should support base metals**.

Copper is leading in the pack, with another push over $6,700 this morning. A rise in open interest in Shanghai might indicate increased buying interest in China. A fall in Shanghai stock levels, which declined 4.2% last week, has supported buying. At the same time, imports data shows that China has imports of refined copper rose 28.7% from August. However, the rise in buying interest comes despite the Chinese market being well supplied. Nevertheless, with Chinese buying interest rising and ongoing production problems at BHP's Spence mine in Chile (due to failed wage negotiations) LME copper could still move higher.

Aluminium is back above $2,000, on the back of copper. This support could continue if crude oil rises further. However, we believe that aluminium stock levels remain ample, which opens the metal to some downside, should risk aversion rise in financial markets.

Zinc continues to gain ground and we expect it will continue to perform well relative to the rest of the complex. Zinc is trading above $2,300 this morning. It has decreased by 300mt in LME warehouse stock this morning. **Lead is up, trading at $2,400 this morning**.

By Walter de Wet

Precious metals

Risk appetite remains in place. Despite US equities closing lower, **commodities remain well supported**. The futures market indicates that US equities could push higher today.

Precious metals remain well supported. While gold is still meeting strong resistance on approach of $1,070, we are seeing much better support than we did in the physical market (refer to *Focus*). Combined with the dollar weakness, which gold has largely ignored last week, **gold could retest the $1,070 level soon**. Our overall strategy: **buy price dips in gold**. Gold support is at $1,050 and $1,040, and resistance at $1,064 and $1,075.

Speculative length for platinum and palladium remains high, and while it is of some concern, we believe the large speculative component remains sustainable. However, investors might be reluctant to add new positions without gold pushing higher. **Platinum support is still at $1,350 and resistance at $1,370. Palladium support is at $330 and resistance at $335**.

Silver failed to rally despite strong support for base metals. The metal remains range-bound between $17.00 and $18.00. Silver support is at $17.30 and $17.00, while resistance is at $17.85 and $18.15.

Walter de Wet

Energy

Crude oil prices encountered strong resistance this morning despite the US dollar weakening from $1.4981 to $1.5064 against the euro in Asia. After slipping from $81.20/bbl to $79.50/bbl on Friday, front-month WTI crude range-traded between $80.05/bbl and $79.56/bbl in electronic trade this morning. We believe a **reduced geopolitical risk premium in crude oil prices**, after Nigerian militants ordered a cease-fire and expressed willingness to engage in negotiations to end conflicts in the Niger Delta, **is weighing on crude oil sentiment this morning**. However, increased speculative interest in WTI crude futures, with the CFTC's latest report showing speculative net long positions have increased by 12,149 contracts, **could support front-month WTI crude on the downside**. However, we maintain that US crude oil demand conditions, which have shown a weakening trend, are **not yet supportive of crude oil prices above $80/bbl**.

On the demand side, Chinese customs data showed the country's net imports climbed 15% m/m in September to 17.2 million metric tonnes. The data also showed China's refined product demand increased by 600,000bpd in Q3:09 — signalling that **China's crude oil demand is gaining momentum**. Although we believe this is positive for short-term crude oil sentiment, China's crude oil demand is yet to compensate for US crude oil demand erosion.

German's forward-looking GFK consumer confidence index surprised on the downside this morning — slipping 6.9% m/m, to 4 against for 4.5. This data saw front-month ICE Brent crude slip from $78.55/bbl to $78.30/bbl.

Thermal coal contract prices tracked crude oil lower on Friday. Although a 1.4% gain in the Baltic Dry index, a measure of global freight rates, supported API2(CIF ARA) for Q4:09 delivery at $75.25/mt, the contract for Q4:10 shed $0.75/mt, to $92/mt. API4(FOB) for Q4:09 delivery shed $0.15/mt, to $66.55/mt — with the contract for Q4:09 delivery slipping $0.65/mt, to $82.20/mt. Chinese customs data show net thermal coal imports climbed 7% m/m, to 10.53 million metric tonnes in September.

Carbon contracts were also under pressure amid a weaker energy complex and German base load power prices. ICE EUA for December 2009 contracted EUR0.25/mtCO2, to EUR14.36/mtCO2; UN-backed CER for December 2009 delivery shed EUR0.24/mtCO2, to EUR13.32/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	4,575,875	4,580,225	775	5,125	-4,350	2,246,975	103,750	2.27	138,261
Copper	368,850	367,075	2,425	650	1,775	29,075	4,475	1.21	77,496
Lead	130,250	130,400	#N/A N/A	150	-150	85,100	1,425	1.09	21,031
Nickel	123,420	123,492	66	138	-72	45,030	1,056	0.86	26,303
Tin	26,410	26,420	#N/A N/A	10	-10	18,620	470	1.78	50,035
Zinc	426,925	427,225	#N/A N/A	300	-300	173,425	10,025	2.35	68,975

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	15,070	15,300	230
Copper	51,170	51,790	750
Zinc	16,695	17,310	680

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Oct'09	-	-	-	-
Cu Oct'09	303	304.40	0.95	0.31%

ZAR metal prices (23 October 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,546	49,568	17,957	145,530	114,588	16,938	7.4650
3-month	14,976	50,476	17,917	144,180	116,133	17,245	7.5904

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 ($/bbbl)	80.10	0.28	86.08	-0.67	86.89	-0.79	89.26	-0.84	-	-
Gasoil 0.1% Rdam ($/mt)	644.75	0.00	652.00	0.25	660.75	0.50	678.50	-7.00	715.25	-5.25
NWE CIF jet ($/mt)	656.72	-2.19	691.58	-8.69	700.05	-9.15	726.00	-7.00	773.58	-5.33
Singapore Kero ($/bbl)	80.45	0.25	86.38	-0.72	87.79	-0.84	90.98	-0.87	96.12	-0.71
3.5% Rdam barges ($/mt)	423.12	-1.16	446.78	5.54	448.88	5.55	457.54	6.21	466.22	6.43
1% Fuel Oil FOB ($/mt)	439.80	1.16	468.28	5.04	471.38	4.30	488.54	5.21	514.22	6.18
Sing FO 380 Cargo ($/mt)	465.28	5.54	467.88	5.80	470.58	5.82	476.65	6.42	-	-
Sing FO180 Cargo ($/mt)	444.54	1.00	469.53	5.54	472.38	5.80	480.29	6.21	-	-
Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	75.25	0.10	92.00	-0.75	85.65	-0.60	103.55	-0.35	113.30	-0.20
API4 (FOB RBCT)	66.55	-0.15	82.20	-0.65	76.75	-0.40	93.55	-0.35	103.30	-0.20
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.35	-0.25	14.36	-0.25	14.77	-0.23	15.36	-0.24	16.16	-0.25
ICE - ECX CER (€/mt)	13.51	-0.24	13.32	-0.24	13.05	-0.19	13.05	-0.19	13.44	-0.16

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.23833	0.26333	0.29333	0.40333	0.64500
Silver	0.54000	0.54000	0.54833	0.56167	0.59333
USD Libor	0.24375	0.25400	0.28188	0.58063	1.23500

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	62.79	1,057.61	1,042.20	972.75	947.23	1,048.00	1,065.00
Silver	61.01	17.64	17.32	15.16	14.23	17.44	17.95
Platinum	58.68	1,356.17	1,332.80	1,249.17	1,176.33	1,347.00	1,371.00
Palladium	68.43	333.24	319.97	278.28	247.63	332.00	338.00

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	1,056.10	17.7000	338.10	1,369.50	1,056.00	3,124.00	1,056.40
Open Interest	506,698	135,763	22,376	32,128	1,893	96,742	4,136
Change in Open Interest	-10,134	-1,674	69	-330	120	275	-13

Date: 23 October 2009

Sources: Standard Bank; LME; Bloomberg

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