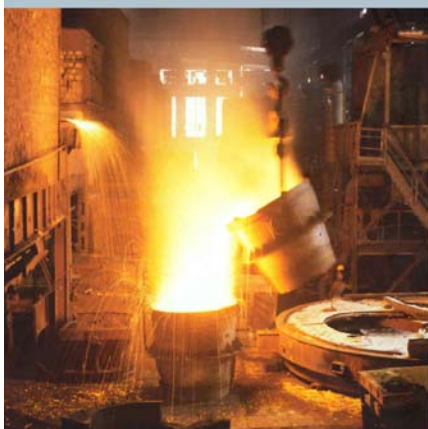


29 October 2009



Focus: Another discrepancy between API & DOE This discrepancy could fuel uncertainty about the actual trend in US crude oil demand. While there is little doubt that inventories, especially distillates, remain very high, divergence between data sources could increase crude oil's correlation with other financial markets.

- After some heavy selling yesterday, base metal prices have settled down. However, while most of the weak longs that built up in the preceding two weeks have probably been liquidated, we still see some downside bias, as uncertainty remains in financial markets.
- The VIX index is rising as risk appetite wanes. High-yielding currencies are still struggling, and US treasuries are finding some support — this indicate a struggle for commodity prices. Therefore, we foresee downside in precious metals prices, and believe most of the weak long positions have been liquidated since the start of the week. The dollar would need to strengthen much more for precious metals to test substantially lower levels.

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 (28 October 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,962	1,913	2,004	1,907	-73	-3.68	1,928.50	-53	-35.25
Copper	6,500	6,431	6,660	6,420	-155	-2.35	6,475.00	-88	-26.00
Lead	2,270	2,231	2,304	2,220	-40	-1.74	2,243.00	-62	-25.25
Nickel	18,523	17,800	18,750	17,655	-850	-4.56	18,500.00	-400	-77.00
Tin	15,395	15,000	15,399	14,600	-745	-4.84	15,095.00	-415	130.00
Zinc	2,265	2,191	2,324	2,178	-123	-5.32	2,241.00	-79	-25.75

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	75.72	75.77	75.90	75.57	-0.09	-0.12%
NYMEX WTI	77.11	77.29	77.46	77.03	-0.17	-0.22%
ICE Gasoil	622.75	622.50	623.75	622.00	-2.25	-0.36%
API2 Q4'09	75.50	74.90	-	-	-0.60	-0.80%
ICE EUA Dec09	14.32	14.32	-	-	0.00	0.00%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,035.50	1,031.75	1,041.50	1,027.50	1,030.00	-5.00	1.2/1.6
Silver	-	16.24	16.71	16.17	16.22	-0.28	0.5/2.5
Platinum	1,315.00	1,313.00	1,321.00	1,305.00	1,305.00	-8.00	4/6
Palladium	325.00	325.00	328.00	316.00	315.00	-11.00	1/3

Sources: Standard Bank; LME; BBG



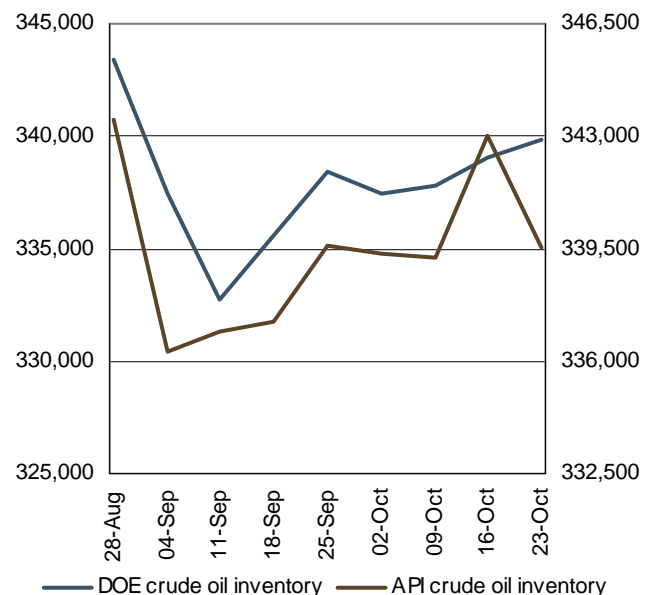
Focus: Another discrepancy between API & DOE

Following a surprise *contraction* in US API crude and refined product inventories on Tuesday, yesterday's DOE inventory data recorded an inventory *build*. (API data posted a 3,532K barrel and a net 926K barrel decline in crude and refined product inventories respectively. DOE data showed a 778K and 1,619K barrel build in crude and gasoline inventories respectively.)

This discrepancy could fuel uncertainty about the actual trend in US crude oil demand. While there is little doubt that inventories, especially distillates, remain very high, **divergence between data sources could increase crude oil's correlation with other financial markets.** The rolling correlation (on a 5-day basis) between front-month WTI crude and the Shanghai Composite jumped from 0.20 yesterday to 0.65 this morning. With underlying oil market fundamentals taking a back seat, crude oil price volatility could also climb higher. **We believe the rising risk aversion could weigh on the front-end of the forward curve.**

There might be a greater risk of higher US refined product supplies not declining fast enough to oil prices. Refinery margins have increased (although from very low levels). The US Gulf Coast refinery crack spread has gained 17% w/w, to \$5.2/bbl. The risk of higher product supplies, coupled with uncertainty

Figure 1: Crude oil inventories ('000 barrels)



Source: Global Markets Research

over recent US crude oil demand developments, **could see front-month WTI crude oil encounter resistance above \$80/bbl.**

By Manqoba Madinane

Base metals

After some heavy selling yesterday, base metal prices have settled down. However, while most of the weak longs that built up in the preceding two weeks have probably been liquidated, **we still see some downside bias, as uncertainty remains in financial markets.**

This afternoon: *the release of US GDP Q3*. The market expects a figure of 3.2% q/q. There has been so much talk about possible rise in inflationary pressure, which up until now, has not been realized. There is a potential short-term trade-off between expected inflation and growth. If actual inflation has been lower than expected inflation, output may be lower than expectations.

But more specific to base metals, US GDP figures are likely to confirm that US businesses have not started to re-stock inventories. Figures should show that companies are only de-stocking, at a slower pace. This is consistent with what we have been observing in physical flow data for some commodities. **We still expect little support for commodity demand from the US.**

While the whole complex traded lower yesterday, **copper held up well** despite ongoing wage negotiations in Chile. Copper is finding good support \$6,420 this morning. While we believe metals will struggle for upward momentum, copper should continue to find better support than the rest of the complex.

Aluminium bounced of the \$1,900 level this morning. It might re-test this level again, as we also see some downside for crude oil.

The rest of the complex tracked copper lower. While the big loser has been zinc, we remain constructive on the metal in the short term, and believe it will push higher again. Zinc fell almost 6% yesterday but has seen some support returning at the \$2,180 level. Despite zinc prices retracing, the metal price remains at levels seen in May last year. Lead closed down 1.7% at \$2,231 yesterday, but is finding better support today.

By Walter de Wet

Precious metals

The VIX index is rising as risk appetite wanes. High-yielding currencies are still struggling, and US treasuries are finding some support — this indicate a struggle for commodity prices. Therefore, we foresee downside in precious metals prices, and believe most of the weak long positions have been liquidated since the start of the week. **The dollar would need to strengthen much more for precious metals to test substantially lower levels.**

There is good buying at the current gold price. We are also seeing a lot less scrap. And while there has been some decline in ETF gold holdings, the physical market is providing support. While markets have stabilized overnight, risk remains high. **Gold support is at \$1,026 and \$1,020 and resistance at \$1,040 and \$1,049.**

Silver selling has stopped and the metal is finding strong support at \$16.00. But we are not convinced the metal can make a move back above \$17.00 yet — risk appetite is not supportive of higher beta assets like silver at the moment. **Silver support is at \$16.00 and \$15.72, and resistance is at \$16.66 and \$17.00.**

Japanese vehicle production figures for September showed contraction of 21.6% y/y. The figure is slightly better than the contraction of 25.9% in August. On Monday, Japan reports on vehicle sales data for September. This will put the production figure in perspective. We have seen sales rising much faster than production, implying pent-up demand could be building for PGM.

We believe platinum and palladium have held up quite well despite yesterday's selling. Both metals have substantial speculative length in the futures market, which could make prices more volatile. We continue to see production cost pressure as underlying support for both metals. **Platinum is finding support at \$1,300 and resistance at \$1,350. Palladium support is at \$315 and resistance at \$325.**

Walter de Wet

Energy

After sliding yesterday, amid a stronger US dollar and a surprise 778K barrel in DOE crude oil inventories (which contradicted Tuesday's 3,532K draw on API crude oil stockpiles), **crude oil prices have been directionless this morning.** We believe the risk remains to the downside.

The rolling correlation (on a 5-day basis) between front-month WTI crude and the trade-weighted US dollar is at -0.90. Front-month WTI crude oil has traded between \$77.46/bbl and \$77.05/bbl.

On the economic data front, there has been some positive data out of Asia this morning. Japanese industrial production expanded 1.4% m/m in September, against expectations for a 1.0% m/m gain. However, this data was eclipsed by a 21.6% y/y contraction in Japanese vehicle production. The spotlight falls on US Q3:09 GDP data (consensus: a 3.2% q/q gain) A better-than-expected data could boost optimism about crude oil.

Thermal coal contract prices were under pressure from lower crude oil prices yesterday. API2(CIF ARA) for December delivery shed \$0.60/mt to \$74.90/mt. API4(FOB) for December delivery shed \$0.90/mt to \$67.20/mt. Lower freight rates as the Baltic Dry index contracted 0.9%, which signalled reduced global dry bulk trade activity, also weighed on thermal coal contracts.

Carbon contracts were steady yesterday. ICE EUA and UN-backed CER for December 2009 delivery held steady at EUR14.32/mtCO₂ and EUR13.20/mtCO₂ respectively.

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	4,564,575	4,570,025	1,125	6,575	-5,450	2,235,675	127,075	2.78	190,136
Copper	371,400	371,725	-	325	-325	31,625	4,925	1.33	110,595
Lead	129,675	129,825	50	200	-150	84,525	800	0.62	24,851
Nickel	125,772	124,326	1,446	-	1,446	47,382	972	0.77	24,792
Tin	26,605	26,675	-	70	-70	18,815	330	1.24	80,407
Zinc	427,650	428,175	-	525	-525	174,150	10,300	2.41	74,145

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,110	15,110	-285	Ali Oct'09	-	-	-	-
Copper	50,380	50,110	-1,240	Cu Oct'09	293	293.55	0.50	0.17%
Zinc	16,610	16,540	-490					

ZAR metal prices (28 October 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,092	50,000	17,561	143,990	118,163	17,675	7.6185
3-month	15,388	51,016	17,605	144,575	118,799	17,930	7.7520

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)	79.67	-0.02	83.33	-2.18	84.13	-2.19	86.59	-2.15	-	-
Gasoil 0.1% Rdam (\$/mt)	622.50	-2.25	630.75	-1.00	639.25	-1.00	659.00	-16.00	696.25	-15.50
NWE CIF jet (\$/mt)	653.88	-1.66	671.08	-17.00	680.05	-17.50	706.33	-16.50	754.66	-15.50
Singapore Kero (\$/bbl)	80.13	-0.04	83.63	-2.38	84.88	-2.29	88.09	-2.30	93.46	-2.08
3.5% Rdam barges (\$/mt)	420.98	-1.30	431.35	-8.47	433.77	-7.92	441.75	-7.08	449.75	-5.91
1% Fuel Oil FOB (\$/mt)	436.44	-1.98	453.10	-6.47	456.52	-7.42	473.75	-6.08	498.25	-5.66
Sing FO 380 Cargo (\$/mt)	453.77	-7.67	455.04	-8.05	456.77	-8.01	461.63	-7.31	-	-
Sing FO180 Cargo (\$/mt)	443.97	-0.31	456.35	-7.97	458.52	-7.67	464.00	-7.58	-	-

Thermal coal

	Q4:09	Q1:10	Q2:10	Cal 11	Cal 12
API2 (CIF ARA)	74.90	-0.60	88.45	-1.80	82.50
API4 (FOB RBCT)	67.20	-0.90	78.65	-1.80	73.60

Carbon

	Spot	Dec-09	Dec-10	Dec-11	Dec-12
ICE - ECX EUA (€/mt)	14.31	0.00	14.32	0.00	14.67
ICE - ECX CER (€/mt)	13.40	0.00	13.20	0.00	13.00

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.24000	0.24333	0.27000	0.38167	0.60833
Silver	0.56167	0.56167	0.56167	0.56500	0.59833
USD Libor	0.24288	0.25400	0.28063	0.57000	1.20875

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	55.81	1,048.59	1,046.32	974.95	949.82	1,024.00	1,040.00
Silver	49.45	17.17	17.28	15.19	14.30	15.98	16.65
Platinum	52.68	1,342.13	1,335.59	1,250.50	1,181.93	1,301.00	1,327.00
Palladium	57.82	331.01	324.12	280.19	249.68	311.00	328.00

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	1,031.70	16,2450	319.20	1,306.90	1,031.30	3,006.00	1,031.80
Open Interest	497,479	132,843	22,694	31,649	1,481	95,857	4,356
Change in Open Interest	-11,786	-1,571	-166	-1,000	-137	-841	7

Date: 27 October 2009

Sources: Standard Bank; LME; Bloomberg

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