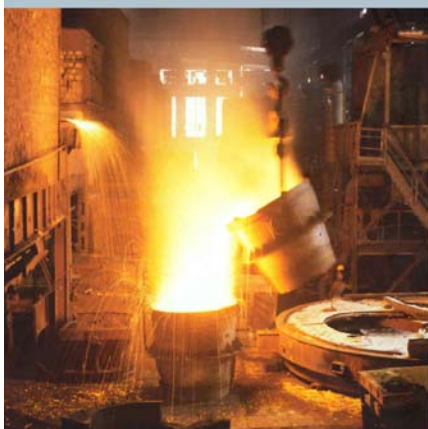


30 October 2009



Focus: Gold seems destined to move higher. Our next target is at \$1,100 in Q4:09. We observe a support base building in *investment demand* and *physical demand*. We still see the US dollar weakening towards \$1.60 in the next six months. This would add to upward momentum in the ETF market. However, dollar dependence is likely to make the ride volatile. Despite such volatility, we see the downside in gold well protected by buying interest in the physical market. At this stage, buying support is especially strong when gold eyes \$1,030.

- After a positive US GDP figure yesterday, risk appetite has swelled. The correlation between the VIX index (an indication of equity volatility) and LME 3-month copper is the highest since June 2009. It confirms that speculative interest for copper is a large driving force (probably for other base metals too). Given the high correlation with risk, adding new longs at current price levels (under current market conditions) does not seem to justify the risk.
- The Fed and the ECB will meet next week to decide on monetary policy. Both banks might calm fears about global growth, and indicate that interest rates would not be raised. While uncertainty about the banks' actions might incur precious metals selling, we would buy such dips.
- Crude oil has encountered resistance. Front-month WTI crude oil rallied from \$77.50/bbl to \$80.50/bbl in New York before easing to \$79.70/bbl in electronic trade this morning.

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Commodity price data (30 October 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,919	1,953	1,958	1,900	43	2.25	1,900.00	-29	-34.50
Copper	6,455	6,665	6,675	6,405	235	3.65	6,424.50	-51	-25.00
Lead	2,321	2,370	2,380	2,225	129	5.78	2,297.00	54	-23.25
Nickel	18,100	18,700	18,750	17,650	890	5.00	18,460.00	-40	-70.00
Tin	14,870	15,200	15,100	14,600	400	2.73	15,400.00	305	150.00
Zinc	2,185	2,270	2,274	2,173	35	1.60	2,207.00	-34	-26.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.19	78.17	78.23	77.95	0.13	0.17%
NYMEX WTI	79.98	77.29	80.21	79.86	0.26	0.34%
ICE Gasoil	644.00	641.00	644.00	640.00	-3.00	-0.47%
API2 Q4'09	74.90	75.75	-	-	0.85	1.12%
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	1,034.00	1,040.50	1,047.50	1,029.50	1,046.50	16.50	0.1/0.5
Silver	-	16.73	16.69	16.21	16.64	0.42	0.5/2.5
Platinum	1,318.00	1,328.00	1,335.00	1,312.00	1,330.00	25.00	4/6
Palladium	319.00	324.00	327.00	318.00	326.00	11.00	1/3

Sources: Standard Bank; LME; BBG



Focus: Gold still building a base for next move up

Gold seems destined to move higher. Our next target is at \$1,100 in Q4:09. We observe a support base building in *investment demand* and *physical demand*.

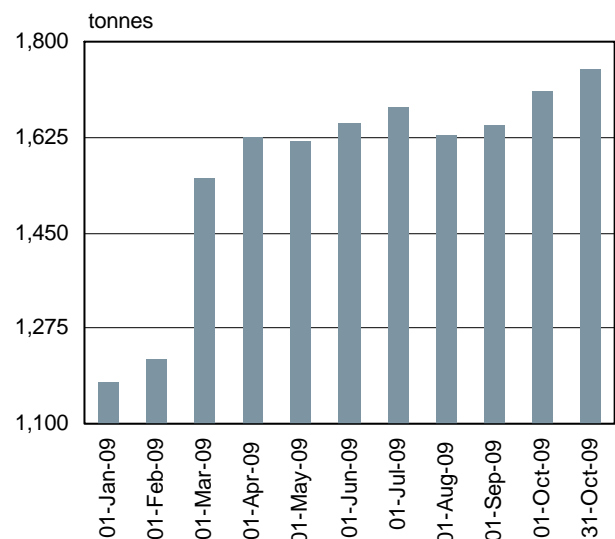
ETF holdings are still rising. The latest figures show that ETF holdings have reached 1,750 tonnes. This is 48 tonnes higher than at the start of October, and 572 tonnes higher than at the start of the year. We expect ETF holdings to remain well supported.

We still see the US dollar weakening towards \$1.60 in the next six months. This would add to upward momentum in the ETF market. However, dollar dependence is likely to make the ride volatile.

Despite such volatility, **we see the downside in gold well protected by buying interest in the physical market.** At this stage, buying support is especially strong when gold eyes \$1,030. Currently, buying momentum (in the physical flows we track) has reached the highest level since early September. **We expect interest to remain strong into year-end.**

However, we caution that physical buying interest could be very limited by Q1:10, as seasonal demand for gold reaches an annual low during this period.

Figure 1: ETF gold investment



Source: Global Markets Research

By Walter de Wet

Base metals

After a positive US GDP figure yesterday, **risk appetite has swelled.** The correlation between the VIX index (an indication of equity volatility) and LME 3-month copper is the highest since June 2009. It confirms that **speculative interest for copper is a large driving force** (probably for other base metals too). Given the high correlation with risk, adding new longs at current price levels (under current market conditions) does not seem to justify the risk. However, we also believe that, given the underlying liquidity in the global financial system, larger corrections will be bought, which should provide downside protection.

Shanghai warehouse stock was released this morning. Copper stock increased 6,859 tones; aluminium stock increased 3,896 tonnes. Copper warehouse stock in Shanghai has now increased by 87,784 tonnes since its low for the year in April. This, combined with the fact that LME stock increased 800mt this morning, is adding downward pressure on copper. We maintain that the market in China will remain well supplied in Q4:09. **Copper is trading just above \$6,600.**

Aluminium is moving lower, in tandem with copper and crude oil. Although the SFE warehouse figure is bearish, it is less relevant to aluminum, given the already large overhang of stock and latent capacity in China. Oil is finding it difficult to sustain move above \$80.

Zinc warehouse stock was up 27,830 tonnes from last week. Shanghai zinc warehouse stock increased 83,794 tonnes from the lows reached in January this year. As with copper, zinc has also seen another 1,275 increase in LME stock this morning. **Zinc is trading at \$2,230.**

Lead has seen an inflow of 175mt into warehouses but is **finding support above \$2,300.**

Tin and nickel are both slightly lower, at \$14,900 and \$18,630 respectively.

By Walter de Wet

Precious metals

US GDP surprised on the upside. Markets rallied on renewed dollar weakness. The Fed and the ECB will meet next week to decide on monetary policy. Both banks might calm fears about global growth, and indicate that interest rates would not be raised. While uncertainty about the banks' actions might incur PM selling, we would buy such dips.

In the US, we see personal income and personal spending data. We also see release of the important University of Michigan Consumer Confidence Index. As with consumer data earlier this week, a weak figure might incur profit-taking.

Precious metals have rallied on the back of US GDP data. We continue to see good support in the market for gold (refer to *Focus*). Support is at \$1,033 and \$1,020. Resistance is at \$1,054 and \$1,060.

While platinum and palladium are higher, both metals are struggling for further upside. Base metals are struggling, so are energy prices. This could keep PGM and silver, which have large industrial demand, at bay.

Platinum support is at \$1,306 and resistance at \$1,340. Palladium support is at \$320 and resistance at \$330. Silver should see support at \$16.30 and \$16.00, while resistance is at \$16.88 and \$17.00.

Walter de Wet

Energy

Crude oil has encountered resistance (after finding support from yesterday's better-than-expected US GDP data: a 3.5% q/q expansion against consensus a 3.2% q/q). Front-month WTI crude oil rallied from \$77.50/bbl to \$80.50/bbl in New York before easing to \$79.70/bbl in electronic trade this morning.

On the demand side, the US labour market continues to show signs of strain, as weekly US initial jobless claims, at 530K, were higher than consensus for 525K. This, coupled with this week's discrepancy between DOE and API crude and distillate inventory data, **could see front-month WTI crude struggle to crest \$80/bbl**. Chicago PMI and University of Michigan consumer confidence index (today) could guide crude oil in New York.

ICE Brent crude is under pressure this morning, drifting from \$78.23/bbl to \$77.70/bbl ahead of the release of Eurozone CPI and unemployment data — expectations are for a 0.1 percentage point increase in Eurozone unemployment, to 9.7%.

Thermal coal contract prices gained yesterday supported by firmer crude oil prices and a 0.9% rebound in the Baltic Dry index — which may indicate a rise in global dry bulk trade volumes. API2(CIF ARA) for December delivery gained \$0.85/mt to \$75.75/mt; API4(FOB) for December delivery gained \$0.55/mt, to \$67.75/mt. With signs of increasing thermal coal demand in China, as the country's National Energy Bureau reported a 10% m/m increase in electricity consumption in September. China's coal inventories at the Qinghuangdao terminal, the country's main coal hub, have also fallen to 3.8 million tonnes — much lower than the 5 million tonne "red line".

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	4,559,025	4,564,575	175	5,725	-5,550	2,230,125	123,025	2.70	182,439
Copper	372,200	371,400	1,975	1,175	800	32,425	3,650	0.98	103,181
Lead	129,850	129,675	475	300	175	84,700	575	0.44	21,375
Nickel	126,822	125,772	1,068	18	1,050	48,432	1,026	0.81	21,895
Tin	26,610	26,605	25	20	5	18,820	335	1.26	11,052
Zinc	428,925	427,650	2,000	725	1,275	175,425	10,775	2.51	76,771

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,250	15,250	145	Ali Oct'09	-	-	-	-
Copper	51,450	51,320	1,180	Cu Oct'09	303	303.80	0.85	0.28%
Zinc	16,840	16,825	320					

ZAR metal prices (29 October 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,744	49,854	17,825	143,250	119,504	17,126	7.7600
3-month	15,412	52,598	18,703	147,573	119,952	17,914	7.8916

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)	79.55	-0.12	85.92	2.59	86.72	2.59	89.21	2.62	-	-
Gasoil 0.1% Rdam (\$/mt)	641.00	-3.00	648.25	-2.75	659.50	19.25	678.25	19.25	714.25	18.00
NWE CIF jet (\$/mt)	655.44	1.56	690.83	19.75	700.30	20.25	726.08	19.75	772.74	18.08
Singapore Kero (\$/bbl)	80.01	-0.12	86.42	2.79	87.62	2.74	90.76	2.67	95.92	2.46
3.5% Rdam barges (\$/mt)	419.78	-1.20	442.82	11.47	445.50	11.73	453.60	11.85	461.79	12.04
1% Fuel Oil FOB (\$/mt)	436.44	0.00	465.57	12.47	469.25	12.73	485.85	12.10	510.79	12.54
Sing FO 380 Cargo (\$/mt)	466.00	12.23	467.83	12.79	469.50	12.73	474.24	12.61	-	-
Sing FO180 Cargo (\$/mt)	443.34	-0.63	468.82	12.47	471.00	12.48	476.85	12.85	-	-

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	75.75	0.85	89.20	0.75	83.25	0.75	101.00	0.50	111.10	0.85
API4 (FOB RBCT)	67.75	0.55	79.50	0.85	74.25	0.65	91.00	0.50	101.10	0.85

Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.31	0.00	14.32	0.00	14.67	-0.01	15.24	-0.05	16.03	-0.07
ICE - ECX CER (€/mt)	13.40	0.00	13.20	0.00	13.00	0.00	12.98	-0.02	13.31	-0.06

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.24000	0.25000	0.27333	0.37167	0.61000
Silver	0.56167	0.56167	0.56333	0.56667	0.59167
USD Libor	0.24350	0.25719	0.28063	0.56438	1.19813

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	59.22	1,049.68	1,049.40	976.18	950.65	1,033.00	1,055.00
Silver	52.79	17.14	17.33	15.21	14.33	16.32	16.91
Platinum	54.78	1,343.38	1,339.33	1,251.50	1,183.95	1,313.00	1,346.00
Palladium	62.39	331.99	326.21	281.06	250.39	321.00	336.00

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	1,048.50	16,7300	332.00	1,338.20	1,048.80	3,082.00	1,048.60
Open Interest	501,016	132,392	22,426	31,576	1,890	90,476	4,305
Change in Open Interest	3,537	-451	-268	-73	409	-5,381	-51

Date: 29 October 2009

Sources: Standard Bank; LME; Bloomberg

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