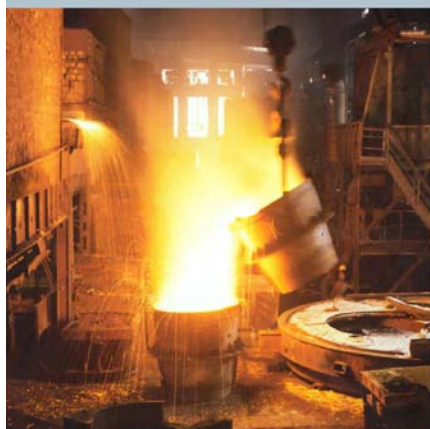


7 December 2009



Focus: Time to switch tactics Since August, we have advised buying dips in gold. We now advise selling into rallies on approach of \$1,200 — probably our new strategy into year-end. After Friday's good non-farm payrolls data, we believe gold will find it difficult to breach \$1,200 again this year.

- We expect a difficult day for the base metals as the dollar finds renewed strength. However, overall we read Friday's non-farm payroll data as bullish for metals. While many US economic indicators have been signalling a return to growth, employment, which is a lagging indicator, has not done so yet. But November employment numbers came very close to signalling the US economy is close to creating more jobs than it sheds.
- We remain cautious on precious metals, especially gold. Silver may also struggle because of the lower gold price. We advise selling into gold rallies. We see gold support at \$1,142 and \$1,136, resistance at \$1,160 and \$1,176.
- A stronger US dollar weighed on the front-end of the crude oil forward curve after better-than-expected US non-farm payrolls briefly pushed crude oil prices higher on Friday. US non-farm payrolls fell only 11K, against market expectations for a 125K decline, signalling improving US labour market conditions. Front-month WTI crude rose from \$75.78/bbl to \$77.93/bbl. However, dollar strength is the dominant driver of oil right now.

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Commodity price data (4 December 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,136	2,148	2,165	2,116	12	0.56	2,106.50	-8	-31.50
Copper	7,065	7,045	7,170	7,015	-40	-0.56	7,026.00	-45	-35.00
Lead	2,366	2,366	2,420	2,351	-39	-1.62	2,345.00	-68	-31.50
Nickel	16,025	16,005	16,400	15,825	-5	-0.03	15,905.00	-175	-74.00
Tin	15,050	15,350	15,325	15,025	120	0.79	15,050.00	-80	-59.00
Zinc	2,385	2,370	2,426	2,355	-42	-1.74	2,353.50	-23	-31.75

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.83	77.92	78.25	77.64	0.40	0.51%
NYMEX WTI	75.80	75.76	76.10	75.51	0.29	0.38%
ICE Gasoil	617.25	617.50	618.25	614.00	-4.25	-0.69%
API2 Q1'10	76.80	76.50	-	-	-0.30	-0.39%
ICE EUA Dec09	13.93	14.09	-	-	0.16	1.15%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,203.25	1,190.25	1,210.50	1,148.00	1,168.00	-49.00	0.6/1.0
Silver	-	18.24	18.96	18.31	18.51	-0.59	1/3
Platinum	1,484.00	1,472.00	1,484.00	1,439.00	1,443.00	-46.00	3/5
Palladium	382.00	378.00	382.00	377.00	376.00	-8.00	1/3

Sources: Standard Bank; LME; BBG



Focus: Time to switch short-term tactics

Since August, we have advised buying dips in gold. We now advise selling into rallies on approach of \$1,200 — probably our new strategy into year-end.

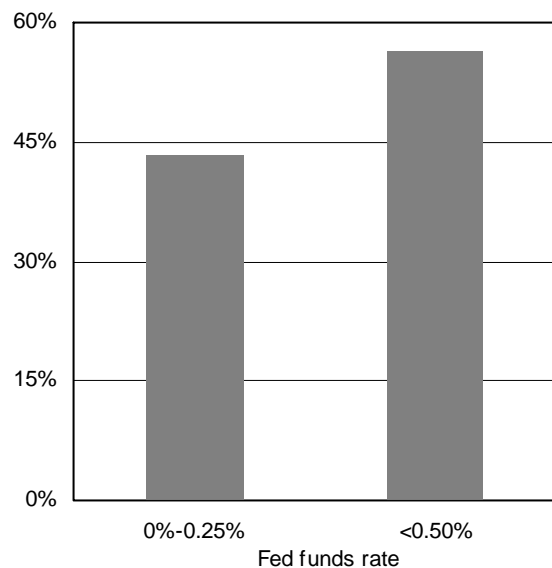
We still see more dollar weakness, with \$1.55 against the euro as a target in Q2:10. Interest rates should also remain low for at least another two quarters. Therefore, at this stage, we still see the longer-term bull-trend for gold intact in 2010. But tactically, as we head into year-end, reducing exposure to gold would be our strategy.

After Friday's good non-farm payrolls data, we believe gold will find it difficult to breach \$1,200 (and sustain such move), again this year, for two reasons:

Firstly, Friday's NFP data has confirmed that the US economy is recovering. While the US Fed is unlikely to raise rates in H1:10, the market is pricing in rate hikes in H2:10. The uncertainty about the timing of interest rate hikes should benefit the dollar — at least in the short term. Although US interest rates will remain low on a historical basis, even if they rise from 0.25% to 0.75%, at the margin, cost of carry could start negatively affecting investment interest in gold.

Secondly, for some time now, we have been mindful of weak jewellery demand in Q1:10. We maintain this view. Whether we will see the same increase in scrap metal as we did in Q1:09 remains un-

Figure 1: Probability of Fed funds rate by June 2010



Sources: BBG; US Fed funds futures market as of 4 Dec 2009

certain. What we do know, is that with the gold price at current levels, jewellery demand is very low. The impact on jewellery demand is being exacerbated by the rise in the gold price in almost all currencies. Should the gold price fall, it may trigger large gold scrap flows.

By Walter de Wet

Base metals

As with energy and precious metals, base metals are lower since Friday afternoon. We expect a difficult day for the metals as the dollar finds renewed strength. However, overall we read Friday's non-farm payroll data as bullish for base metals. Many US economic indicators have been signalling a return to growth. However, employment which is a lagging indicator has not done so yet. But November employment numbers came very close to signalling the US economy is close to creating more jobs than it sheds. Therefore, despite the short-term movements on the back of a stronger dollar, overall we still see support for the metals and expect large dips to be bought.

Aluminium is holding on remarkably well in the face of the broad-based commodity sell-off. The metal has seen a small decline of 3,950 tonnes in LME inventories. But since early last week, buying interest in the metal has been strong despite what appears to be have been decent selling at the front-end of the curve (refer to Commodities Daily 4 December 2009). However, with the dollar stronger and crude oil hanging on to the \$75/bbl level we are not looking for much upside in the metal. The \$2,100 level should provide support.

Copper is once again below \$7,000 as investor interest retreats. The metal has seen a sizable 6,475 tonnes flowing into LME warehouses this morning. This follows the rise of 3,433 mt in Shanghai warehouses last week. This is adding further downward pressure on prices.

Elsewhere the metals are tracking copper lower. Lead closed last week \$2,370 and has since then traded slightly lower towards the \$2,300 level. Lead has also seen another 775 tonnes increase in LME inventory. Zinc is struggling. The metal tends to follow copper in an erratic fashion. While zinc is trading around \$2,340, the \$2,300 level should provide some support.

By Walter de Wet

Precious metals

We remain cautious on precious metals, especially gold. Silver may also struggle because of the lower gold price. We advise selling into gold rallies.

Low interest rates remain an important driver of liquidity, and hence the gold price. The Fed funds futures market continues to price no rate hike before June next year, assigning a 70% probability to rates staying between 0 - 0.25% until April 2010. However, beyond April, the probability of rate hikes is growing, with the futures market assigning a 57% probability for rates to rise towards 0.5% and higher by June 2010. There is a growing belief that rates in the US will be higher, sooner. While we do not see this as immediately bearish, we believe higher rates will slow the pace at which gold has been rising.

In the futures market, we have seen a steady rise in gold's speculative short positions. As of last week Tuesday, the non-commercial shorts stood at 106 tonnes on COMEX — the highest level since May this year. However, the shorts remain only a fraction of the longs. On non-commercial positions was 981 tonnes last week. Because of the rise in short positions, the net speculative long position has remained fairly flat, around 875 tonnes since the start of November.

We favour selling gold into rallies. We see gold support at \$1,142 and \$1,136, resistance at \$1,160 and \$1,176.

Platinum and palladium are on the back foot. We expect this to continue today. However, beyond the current selling on the back of a lower gold price, we believe the positive growth data should see support for these metals return. We still favour palladium relative to platinum; palladium has large exposure to the US and China. Into year-end, we see a bumpy ride for both metals, as speculative long positions remain large. Currently, on NYMEX the speculative position for platinum is 63% of open interest. For palladium, 59%. Both are high.

Platinum support is at \$1,430 and resistance at \$1,470. Palladium support is at \$364 and resistance at \$384.

By Walter de Wet

Energy

A stronger US dollar weighed on the front-end of the crude oil forward curve after better-than-expected US non-farm payrolls briefly pushed crude oil prices higher on Friday. US non-farm payrolls fell only 11K, against market expectations for a 125K decline, signalling improving US labour market conditions. Front-month WTI crude rose from \$75.78/bbl to \$77.93/bbl. However, dollar strength is the dominant driver of oil right now. WTI slid to \$74.85/bbl this morning as the dollar appreciated from \$1.5093 to \$1.4855 against the euro. The rolling correlation (on a 5-day basis) between front-month WTI crude oil has increased from -0.78 on Friday to -0.85 this morning. Support and resistance are at \$74.35/bbl and \$77.41/bbl respectively today.

Front-month ICE Brent crude range-traded between \$78.10/bbl and \$77.64/bbl this morning. The Atlantic Basin spread has widened from -\$2.00/bbl on Friday to -\$2.20/bbl this morning.

Thermal coal contracts remained under pressure on Friday weighed down by the lower crude oil price. API2(CIF ARA) for December delivery shed \$0.30/mt, to \$76.50/mt. API4(FOB) for December delivery was \$0.40/mt lower, at \$67.30/mt. Positive for thermal coal contracts, rising winter demand for thermal coal in China has seen port thermal coal prices at the country's Qinghuandao terminal gain 4.4% w/w.

Carbon contract prices were well supported on Friday despite a lacklustre energy complex. ICE EUA for December delivery gained EUR0.16/mtCO₂, to EUR14.09/mtCO₂. UN-backed CER for December delivery gained EUR0.17/mtCO₂, to EUR13.13/mtCO₂.

By 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	4,590,150	4,594,100	625	4,575	-3,950	2,261,250	153,175	3.34	241,421
Copper	452,550	446,075	6,525	50	6,475	112,775	1,550	0.34	115,016
Lead	140,350	139,575	775	-	775	95,200	250	0.18	31,684
Nickel	142,860	142,770	414	324	90	64,470	1,578	1.10	19,863
Tin	26,780	26,850	60	130	-70	18,990	675	2.52	47,049
Zinc	458,725	458,775	-	50	-50	205,225	5,975	1.30	87,114

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,770	15,770	40	Ali Dec'09	-	-	-	-
Copper	55,630	55,550	90	Cu Dec'09	324	321.50	-2.25	-0.69%
Zinc	18,490	18,445	-20					

ZAR metal prices (4 December 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,474	51,613	17,226	116,838	110,557	17,289	7.3460
3-month	16,053	52,649	17,682	119,610	114,715	17,712	7.4733

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)	84.63	-0.77	85.45	0.24	86.38	0.22	89.16	0.33	94.73	0.33
Gasoil 0.1% Rdam (\$/mt)	617.50	-4.25	631.00	-4.50	640.25	-5.00	667.75	2.50	707.75	2.75
NWE CIF jet (\$/mt)	692.40	-0.61	700.58	-0.13	707.93	-1.28	732.75	0.75	774.40	1.63
Singapore Kero (\$/bbl)	86.44	-0.36	87.65	0.64	88.43	0.52	90.89	0.46	96.32	0.39
3.5% Rdam barges (\$/mt)	448.52	-2.75	453.74	-2.76	456.81	-3.18	462.84	-2.35	472.14	-1.36
1% Fuel Oil FOB (\$/mt)	470.02	-2.00	478.99	-3.51	484.56	-3.93	497.84	-2.35	518.89	-1.36
Sing FO 380 Cargo (\$/mt)	474.99	-2.51	476.31	-2.68	477.74	-2.53	482.76	-2.20		
Sing FO180 Cargo (\$/mt)	478.27	-1.75	479.74	-2.51	481.31	-2.68	486.59	-2.35		

Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	76.50	-0.30	87.10	0.20	81.70	-0.05	96.40	0.65	105.20	1.15
API4 (FOB RBCT)	67.30	-0.40	78.10	0.10	73.65	0.00	86.90	0.65	95.40	1.15
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.08	0.15	14.09	0.16	14.28	0.16	14.89	0.16	15.62	0.20
ICE - ECX CER (€/mt)	13.20	0.24	13.13	0.17	12.77	0.21	12.78	0.21	13.12	0.19

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.27400	0.28600	0.30600	0.40200	0.52200
Silver	0.59600	0.59600	0.59600	0.59600	0.59600
USD Libor	0.23469	0.24438	0.25656	0.48375	1.02563

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	60.62	1,184.15	1,157.51	1,030.95	977.38	1,132.00	1,200.00
Silver	55.27	18.65	18.32	16.38	14.96	17.93	18.78
Platinum	56.48	1,463.02	1,439.22	1,316.17	1,234.73	1,415.00	1,477.00
Palladium	61.32	373.99	367.29	310.85	270.50	364.00	380.00

Active Month Future	COMEX GLD Dec'09	COMEX SLV Sep'09	NYMEX PAL Oct'09	NYMEX PLAT Oct'09	DGCX GLD Oct'09	TOCOM GLD Jun'10	CBOT GLD Oct'09
Settlement	1,161.00	18,3350	370.15	1,449.70	1,158	3,361.00	1,157.60
Open Interest	530,367	130,848	23,018	35,812	1,540	120,701	3,783
Change in Open Interest	10,664	-1,036	232	-77	-22	2,720	-143

Date: 4 December 2009

Sources: Standard Bank; LME; Bloomberg

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