

# Commodities

## Commodities: Daily



04 January 2011

Walter de Wet, CFA\*  
Walter.DeWet@standardbank.com

Leon Westgate\*  
Leon.Westgate@standardbank.com

James Zhang\*  
Jinzhong.Zhang@standardbank.com

- The base metals finished 2010 strongly, with that momentum continuing into 2011. Copper continues to lead the way, rallying strongly yesterday on COMEX, albeit in thin conditions, reaching an LME equivalent of around \$9,800. Prices backed off late-on however, and with the LME returning to the fray this morning, prices have consolidated with the metal feeling its way into the New Year. Interestingly, Zinc has seen the highest volumes so far today with the metal attracting good two-way interest, while turnover elsewhere in the complex has seen slow to steady.
- The precious metals started the year very strongly, making the most of yesterday's thin conditions. With Europe and Tocom still on holiday, gold traded above \$1,422/oz, albeit running out of momentum and drifting back to close just below \$1,415/oz on Monday. Silver also had a strong start, testing \$31.20/oz before also coming under pressure towards the close to finish just below \$30.70/oz.
- While silver managed to stand its ground during Tuesday morning, trading around Monday's closing levels, gold has continued to come under pressure, ignoring the impact of a weaker dollar to trade below \$1,400/oz ahead of US trade.
- On the first trading day of 2011, both front-month WTI and Brent exceeded their 2010 highs yesterday to settle at \$91.55/bbl and \$94.84/bbl respectively. RBOB cracks weakened slightly, while Nymex heating oil cracks strengthened amid forecasts of further cold weather in the US. In the meantime, the term structures of both WTI and ICE gasoil weakened.

### Commodity price data (03 January 2011)

#### Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,476	2,470	2,480	2,467	10	0.40%	2,436.50	35	-10.50
Copper	9,662	9,645	9,665	9,600	60	0.62%	9,465.00	74	47.00
Lead	2,560	2,550	2,563	2,550	22	0.85%	2,535.00	95	6.00
Nickel	24,950	24,750	24,950	24,750	449	1.81%	24,275.00	420	-55.00
Tin	26,870	26,900	26,900	26,850	25	0.09%	27,200.00	300	27.00
Zinc	2,440	2,454	2,454	2,440	22	0.90%	2,368.00	96	-13.25

#### Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	94.92	95.49	95.74	94.74	0.65	0.68%	-	-	-
NYMEX WTI	91.50	91.53	92.07	91.28	-0.02	-0.02%	-	-	-
ICE Gasoil	786.25	788.50	791.00	784.25	-4.25	-0.54%	-	-	-
API2 Q1'11	128.50	128.25	-	-	-0.25	-0.19%	-	-	-
ICE EUA Spot	13.77	13.96	-	-	0.19	1.38%	-	-	-

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,403.50	1,412.50	1,423.80	1,414.50	1,421.80	36.60	0.20/0.60
Silver	-	30.87	31.14	30.65	31.06	1.86	2.00/4.00
Platinum	1,750.00	1,745.00	1,785.00	1,770.00	1,780.00	79.00	0.0/2.0
Palladium	788.00	791.00	804.00	797.00	800.00	50.00	-1.0/1.0

Sources: Standard Bank; LME; BBG

Please refer to the disclaimer at the end of this document.

## Base metals

The base metals finished 2010 strongly, with that momentum continuing into 2011. Copper continues to lead the way, rallying strongly yesterday on COMEX, albeit in thin conditions, reaching an LME equivalent of somewhere around \$9,800. Prices backed off late-on however, and with the LME returning to the fray this morning, prices have consolidated with the metal feeling its way into the New Year. Interestingly, Zinc has seen the highest volumes so far today with the metal attracting good two-way interest, while turnover elsewhere in the complex has seen slow to steady.

On the macro-economic front, yesterday saw the release of the PMI manufacturing indices for the Euro-zone and the US, showing that the manufacturing sector in both regions is expanding relatively strongly. Looking ahead, the main economic data this afternoon is the US Factory orders for November (expected -0.1%), and the FOMC minutes. This week is a busy one data-wise, with a number of data releases from the US and Europe. The key figure however remains the US December non-farm payroll figures on Friday.

Meanwhile, China appears to have taken the recent interest rate increase in its stride, with the Shanghai Composite index, closing up 1.59% today. Concerns over monetary tightening and the impact on the property market also appear to have subsided, with Chinese property stocks leading the way higher and with the sector up by 5%.

Copper traded up to \$9,728 during overnight trade before drifting back and consolidating around \$9,680. Prices have picked up again heading into the afternoon, though volumes have been steady rather than spectacular. Inventory-wise, cancelled warrants jumped higher, with a 4,500 mt cancellation in Chicago responsible for most of this morning's 4,825 mt drop in on-warrant LME stocks. Meanwhile, Collahuasi has managed to re-start deliveries of concentrate from an alternative location, after deliveries were stopped in mid-December following an accident at its normal port. The tonnages are well below normal, however, and are not yet large enough to allow the company to lift force majeure.

In other news, Ivernia's Magellan lead mine is looking to overturn a transportation ban that was imposed on December 31st. The ban was due to airborne lead being detected within some of its sealed containers. The Australian Environmental Protection Authority is demanding specific information from Magellan by January 17th, and has ordered the miner to work with government to design an investigation and initiate a review of procedures for the packaging and transportation of its lead concentrate. The Magellan lead mine, which is continuing to operate during the ban, can produce around 90ktpy of lead in concentrate, accounting for around 2% of global mined lead production. The reports don't appear to have had an immediate impact on prices so far however, with lead tending to track copper heading into Tuesday afternoon on the back of lacklustre volumes.

## Precious metals

The precious metals started the year very strongly, making the most of yesterday's thin conditions. With Europe and Tocom still on holiday, gold traded above \$1,422/oz, albeit running out of momentum and drifting back to close just below \$1,415/oz on Monday. Silver also had a strong start, testing \$31.20/oz before also coming under pressure towards the close to finish just below \$30.70/oz.

While silver managed to stand its ground during Tuesday morning, trading around Monday's closing levels, gold has continued to come under pressure, ignoring the impact of a weaker dollar to trade below \$1,400/oz ahead of US trade, with that weakness also starting to drag the wider complex down with it.

Data-wise, the latest macroeconomic figures have been relatively solid with decent US manufacturing figures yesterday suggesting that the economy is recovering. Europe still has dark clouds circling overhead however, while inflationary concerns from China to the US and beyond, remain in place. In that regard, the relative strength or weakness of the dollar is probably a distraction in terms of the gold price and direction. While real interest rates remain low, gold will continue to find good support. Against that supportive backdrop, it seems likely that a combination of waxing and waning inflationary concerns, the on-going sovereign debt problems in Europe, and the market's perception of money supply will come to dominate gold's price behaviour over the coming months.

The PGM's also made a strong start to the year, with palladium climbing above \$807/oz during Monday and platinum stopping just shy of \$1,790/oz. As was the case with gold and silver, both metals came back under pressure during Monday afternoon. Both metals held steady on Tuesday morning, trading around yesterday's closing levels, before coming under pressure again ahead of US trade. Data-wise, aside from the Factory Orders this afternoon, later this evening also sees the release of the US December vehicle sales figures, with consensus estimates looking for a small increase in total vehicle sales to 12.30 million.

By Leon Westgate

## Energy

Oil had a strong year in 2010. Front-month WTI started 2010 at \$81.51/bbl and finished the year at \$91.38/bbl, a 12.1% gain. For most of the year, oil traded between \$70 and \$90, reaching a low of \$68.01/bbl on the 20th of May and a high of \$91.51/bbl on the 23rd of December. The average price of the front-month WTI for 2010 was \$79.61/bbl, some \$17.52/bbl higher than that of 2009, and equivalent to an increase of 28.2%.

On the first trading day of 2011, both front-month WTI and Brent exceeded their 2010 highs yesterday to settle at \$91.55/bbl and \$94.84/bbl respectively. RBOB cracks weakened slightly, while Nymex heating oil cracks strengthened amid forecasts of further cold weather in the US. In the meantime, the term structures of both WTI and ICE gasoil weakened.

The latest CFTC report for the positions on Tuesday, 28th of December, show that money kept on piling into oil, as Money Managers' net long position shot up by 6% w-o-w or 13,073 contracts to a new all time high. Meanwhile, producers certainly appear to believe current prices are good value too, with the commercial hedgers' net short position gaining by 7.3% w-o-w or 17,089 contracts. However, the current the commercial hedgers' net short position of 250,887 is still well short of the record in 2010 of 314,007. On products, both RBOB and heating oil saw a decrease in net speculative length of 2.7% and 3.6% respectively.

**By James Zhang**

## 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	4,274,975	4,277,050	0	2,075	-2,075	-2,075	194,575	4.55	124,325
Copper	377,675	377,550	125	#N/A N/A	125	125	24,475	6.48	111,952
Lead	208,550	208,275	325	50	275	275	4,775	2.29	27,215
Nickel	136,890	135,672	1,218	0	1,218	1,218	4,062	2.97	30,699
Tin	16,375	16,275	100	0	100	100	100	0.61	7,629
Zinc	701,425	701,425	0	0	0	0	26,800	3.82	51,100

### Shanghai 3-month forward prices

### COMEX active month future prices

Metal	Open	Last	1d Chnge	Open	Close	Change	Change (%)
Aluminium	16,840	16,890	100	Ali Mar'11	-	-	-
Copper	71,980	71,940	870	Cu Mar'11	446	445.05	-0.70
Zinc	19,645	19,580	105				

### ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,147	62,725	16,799	160,870	180,254	15,693	6.6270
3-month	16,572	64,713	17,109	166,060	180,486	16,465	6.7095

## Energy

Energy futures pricing	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change
	1 month		2 month		3 month		6 month		1 year	
Sing Gasoil (\$/bbl)	106.79	4.08	107.23	4.34	107.43	4.28	108.38	4.20	109.84	4.04
Gasoil 0.1% Rdam (\$/mt)	788.50	-4.25	794.75	-3.75	799.25	-3.25	805.50	-3.25	815.50	-5.00
NWE CIF jet (\$/mt)	865.33	30.41	870.35	30.34	875.14	29.90	885.97	29.25	895.99	28.00
Singapore Kero (\$/bbl)	107.69	4.08	108.28	4.27	108.58	4.23	109.68	4.22	111.64	4.03
3.5% Rdam barges (\$/mt)	485.00	1.75	484.85	1.75	485.72	1.91	490.23	1.97	497.38	1.73
1% Fuel Oil FOB (\$/mt)	496.75	1.75	497.10	1.75	500.72	1.91	509.23	1.97		
Sing FO180 Cargo (\$/mt)	511.75	1.75	511.60	1.75	512.47	1.91	516.73	1.97		
Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	123.00	2.75	118.00	2.25	115.60	1.75	115.60	0.45	117.65	0.50
API4 (FOB RBCT)	120.25	3.70	115.50	2.65	112.30	1.75	111.10	0.45	113.15	0.60

## Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.50667	0.52000	0.54000	0.59500	0.68667		
Silver	0.60000	0.59333	0.60167	0.62333	0.69833		
USD Libor	0.26063	0.28250	0.30281	0.45581	0.78094		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	59.15	1,390.81	1,392.23	1,330.40	1,261.38	1,379.00	1,422.00
Silver	66.70	29.65	29.36	24.18	21.19	26.30	29.17
Platinum	60.13	1,732.35	1,715.53	1,654.92	1,628.42	1,734.00	1,797.00
Palladium	66.57	764.94	755.77	624.12	554.58	666.00	733.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Feb'11	Mar'11	Apr'11	Apr'11	Feb'11	Dec'11	Feb'11
Settlement	1,413.20	30.8600	798.00	1,760.20	1,412.50	3,715.00	1,412.50
Open Interest	594,490	137,918	23,214	38,980	1,276	118,344	2,756
Change in Open Interest	162	-7,773	-90	-2,460	268	-11,078	-115

Sources: Standard Bank; LME; Bloomberg

## Disclaimer

### Certification

The analyst(s) who prepared this research report (denoted by an asterisk\*) hereby certifies(y) that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and issuer(s) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

### Conflict of Interest

It is the policy of The Standard Bank Group Limited and its worldwide affiliates and subsidiaries (together the "Standard Bank Group") that research analysts may not be involved in activities in a way that suggests that he or she is representing the interests of any member of the Standard Bank Group or its clients if this is reasonably likely to appear to be inconsistent with providing independent investment research. In addition research analysts' reporting lines are structured so as to avoid any conflict of interests. For example, research analysts cannot be subject to the supervision or control of anyone in the Standard Bank Group's investment banking or sales and trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those sales and trading departments may conflict with your interests. **Please note that one or more of the analysts that prepared this report sit on a sales and trading desk of the Standard Bank Group.**

### Legal Entities:

To U. S. Residents

Standard New York Securities, Inc. is registered with the Securities and Exchange Commission as a broker-dealer and is also a member of the FINRA and SIPC. Standard Americas, Inc is registered as a commodity trading advisor and a commodity pool operator with the CFTC and is also a member of the NFA. Both are affiliates of Standard Bank Plc and Standard Bank of South Africa. Standard New York Securities, Inc is responsible for the dissemination of this research report in the United States. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Standard New York Securities, Inc.

To South African Residents

The Standard Bank of South Africa Limited (Reg.No.1962/000738/06) is regulated by the South African Reserve Bank and is an Authorised Financial Services Provider.

To U.K. Residents

Standard Bank Plc is authorised and regulated by the Financial Services Authority (register number 124823) and is an affiliate of Standard Bank of South Africa. The information contained herein does not apply to, and should not be relied upon by, retail customers.

### General

This research report is based on information from sources that Standard Bank Group believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or member of the Standard Bank Group gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of the Standard Bank Group and the research analyst's involvement with any issuer referred to above).

All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts you should consult your investment advisor. The investments discussed may fluctuate in price or value.

Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Members of Standard Bank Group may act as placement agent, advisor or lender, make a market in, or may have been a manager or a co-manager of, the most recent public offering in respect of any investments or issuers referenced in this report. Members of the Standard Bank Group and/or their respective directors and employees may own the investments of any of the issuers discussed herein and may sell them to or buy them from customers on a principal basis. This report is intended solely for clients and prospective clients of members of the Standard Bank Group and is not intended for, and may not be relied on by, retail customers or persons to whom this report may not be provided by law. This report is for information purposes only and may not be reproduced or distributed to any other person without the prior consent of a member of the Standard Bank Group. Unauthorised use or disclosure of this document is strictly prohibited. By accepting this document, you agree to be bound by the foregoing limitations. Copyright 2010 Standard Bank Group. All rights reserved.