

# Commodities

## Commodities: Daily



5 January 2011

- After an initial flurry of activity yesterday, the base metals appear to be suffering a delayed New Year's hang-over, with the complex coming under pressure as it continues to digest the price action seen in late-December and early January. Copper volumes have picked up, with price weakness during Wednesday morning seeing dip-buying activity emerge, however, the rest of the complex remains rather subdued and continues to make a slow start to the year.
- Another round of solid US macroeconomic data triggered a significant sell-off in gold during Tuesday afternoon as sentiment towards the US economy continued to improve and demand for a perceived safe-haven dissipated. Profit taking was likely also a factor behind yesterday's move, with gold finishing the day below \$1,380/oz and back around its pre-Christmas levels.
- Oil suffered from a heavy sell-off yesterday after it hit a new 27-month high on Monday. Front-month WTI lost \$2.17/bbl to settle at \$89.38, which took the contract back to its pre-Christmas level. In contrast to WTI, front-month Brent only lost \$1.31/bbl, which widened the front-month WTI/Brent spread to a massive \$4.15/bbl, a level last seen during September.

### Commodity price data (04 January 2011)

#### Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,480	2,485	2,485	2,476	15	0.61%	2,472.00	11	-11.25
Copper	9,670	9,580	9,715	9,580	-65	-0.67%	9,754.00	15	43.00
Lead	2,572	2,609	2,610	2,571	59	2.31%	2,593.00	6	19.50
Nickel	25,199	25,155	25,200	25,149	405	1.64%	25,175.00	215	-45.00
Tin	26,950	26,350	27,000	26,345	-550	-2.04%	27,200.00	255	12.00
Zinc	2,474	2,470	2,479	2,445	16	0.65%	2,471.00	39	-9.75

#### Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	93.35	92.96	93.41	92.78	-0.57	-0.61%	-	-	-
NYMEX WTI	89.29	88.58	89.43	88.39	-0.80	-0.90%	-	-	-
ICE Gasoil	769.25	762.25	769.25	761.00	-5.50	-0.72%	-	-	-
API2 Q1'11	128.25	126.25	-	-	-2.00	-1.58%	-	-	-
ICE EUA Spot	13.96	14.12	-	-	0.16	1.15%	-	-	-

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,405.50	1,388.50	1,417.00	1,375.60	1,379.00	-6.20	0.10/0.40
Silver	-	29.58	30.82	29.34	30.44	1.24	1.00/3.00
Platinum	1,735.00	764.00	1,771.00	1,745.00	1,740.00	39.00	0.0/2.0
Palladium	792.00	784.00	791.00	772.00	774.00	24.00	-1.0/1.0

Sources: Standard Bank; LME; BBG

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## Base metals

After an initial flurry of activity yesterday, the metals appear to be suffering a delayed New Year's hangover, with the complex coming under pressure as it continues to digest the price action seen in late-December and early January. Copper volumes have picked up, with price weakness during Wednesday morning seeing dip-buying activity emerge, however, the rest of the complex remains rather subdued and continues to make a slow start to the year.

Looking ahead, the two key events that are likely to govern price behaviour over the coming weeks are the Index rebalancing period, due to start at the end of this week, and then the Chinese New Year holiday from February 2nd to February 8th. As a result, the market is likely to be quite erratic over the next month or so, with an episode of potentially quite intense activity likely giving way to a period of Chinese reticence. The potential for significant price volatility therefore looks like hanging over the market until mid-February, when conditions should start to normalise. In the interim, and given our bullish stance towards many of the base metals - copper and tin in particular - we would look to buy on dips.

Copper came under heavy pressure towards Tuesday's close, with the metal finishing the day below \$9,600. Although the US economic data again painted a solid picture (Factory Orders posting a 0.7% gain vs. expectations of a 0.1% decline), with little in the way of positive momentum the subsequent strengthening in the dollar combined with the lack of direction to trigger a sell-off. Prices have continued to slide heading into Wednesday afternoon, though dip-buying activity, particularly as prices dropped below \$9,400 has helped the metal find its feet and seen decent turnover build up.

The rest of the complex has generally tracked copper lower, the exception being aluminium which, being largely ignored by the market today, has drifted sideways to lower, albeit on the back of thin volumes. Zinc turnover has declined from yesterday's levels, though the metal continues to see decent two-way interest.

In other news, BHP Billiton reports that its Kwinana nickel refinery in Western Australia is fully operational following a recent nitrogen gas shortage last month, which interrupted production.

## Precious metals

Another round of solid US macroeconomic data triggered a significant sell-off in gold during Tuesday afternoon as sentiment towards the US economy continued to improve and demand for a perceived safe-haven asset dissipated. Profit taking was likely another factor behind yesterday's move, with gold finishing the day below \$1,380/oz and back around its pre-Christmas levels.

The capitulation in gold during Tuesday afternoon also spilled over into silver, which finished the day below \$29.50/oz. Interestingly, while silver has continued to decline heading into Wednesday afternoon, gold has managed to find its feet, trading sideways around Tuesday's closing levels. The market has been fairly quiet, but also remains choppy as participants assess yesterday's price action.

Gold support is seen at \$1,377 and then at \$1,372 while resistance is seen at \$1,396 and \$1,409. Silver support is seen at \$29.10 and then at \$28.70 while resistance emerges back around \$29.50.

Vehicle sales in the US were higher than expected in December coming in at a seasonally adjusted annual rate of 12.53 million, compared to 12.26 million in November. Platinum and palladium also suffered a significant sell-off on Tuesday afternoon, but did manage to recover towards the close. The vehicle data has little lasting impact however, with both metals coming back under pressure during Wednesday morning, keeping pace with the falls seen in the base metals complex.

Platinum support and resistance is seen at \$1,705 and \$1,740 respectively, while palladium support and resistance is seen at \$750 and at \$775.

**By Leon Westgate**

## Energy

Oil suffered from a heavy sell-off yesterday after it hit a new 27-month high on Monday. Front-month WTI lost \$2.17/bbl to settle at \$89.38, which took the contract back to its pre-Christmas level. It is likely the sell-off was driven by profit-taking as the rally during the holiday week was not based on any underlying changes to the fundamental picture. In contrast to WTI, front-month Brent only lost \$1.31/bbl, which widened the front-month WTI/Brent spread to a massive \$4.15/bbl, a level last seen during September. Cracks and margins are generally stronger, with products tending to fare better than crude. Term structures all weakened significantly however with the sell-off being more pronounced at the front end of the curve.

The API reported its weekly US inventory changes in crude/gasoline/distillate of -7.5/+5.6/+2.2 mbbbls respectively. Cushing stocks continued to build, though given that our storage model shows it pays to store WTI, this came as no surprise. The API also showed refinery utilisation rates were up 0.2%, while crude intakes were up by a hefty 718kbd. This is presumably due to lower intake of feedstock, which in turn resulted in lower gasoline production. Perhaps more concerning however are the large falls in implied gasoline demand and distillate demand, though this can be partly attributed to the recent stormy weather in parts of the US.

The market will be focusing on DOE inventory report later on today. We expect US crude oil inventories to continue declining into the last week of 2010, mainly due to year-end inventory management. Refinery utilisation rates are likely to have remained at the relatively high levels seen in recent weeks, which should swing inventories from crude to products. Our forecasts for inventory changes in crude/gasoline/distillate are -2.8/+2.5/+1.0 mbbbls.

A smaller build in product stocks than that reported by API could give the market a boost, however, we remain cautious given that we ended 2010 with a historically high inventory level and as we move into the normal seasonal inventory building period, between January and May.

We questioned the sustainability of oil price above \$90 in our Energy Weekly report published on the 16th of December and expected to see some weakness in January. We maintain that view. We also expect to see a narrowing of both the spread between Brent and WTI and the large gap between refining margins in Europe and those in the US.

**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	4,273,950	4,274,975	625	1,650	-1,025	-3,100	193,050	4.52	226,869
Copper	379,250	377,675	1,850	275	1,575	1,700	24,950	6.58	154,042
Lead	209,900	208,550	1,625	275	1,350	1,625	7,825	3.73	48,603
Nickel	136,860	136,890	0	30	-30	1,188	4,116	3.01	34,488
Tin	16,485	16,375	160	50	110	210	325	1.97	11,322
Zinc	701,325	701,425	100	200	-100	-100	26,625	3.80	106,452
Shanghai 3-month forward prices				COMEX active month future prices					
Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)	
Aluminium	16,850	16,830	-60		Ali Mar'11	-	-	-	-
Copper	70,900	70,820	-1,120		Cu Mar'11	437	433.05	-3.85	-0.88%
Zinc	19,435	19,365	-215						
ZAR metal prices									
	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix		
Cash	16,433	64,840	17,237	167,351	180,812	16,426	6.6475		
3-month	16,736	64,521	17,572	169,419	177,467	16,635	6.7350		

## 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)	103.75	-3.04	104.11	-3.12	104.41	-3.02	105.63	-2.75	107.28	-2.56
Gasoil 0.1% Rdam (\$/mt)	762.25	-5.50	769.00	-5.50	774.00	-5.25	783.75	-4.00	799.25	-2.25
NWE CIF jet (\$/mt)	846.44	-18.89	850.09	-20.26	854.59	-20.55	866.73	-19.24	880.11	-15.88
Singapore Kero (\$/bbl)	104.26	-3.43	105.11	-3.17	105.51	-3.07	106.88	-2.80	109.09	-2.55
3.5% Rdam barges (\$/mt)	489.25	4.25	488.97	4.12	489.86	4.14	493.65	3.42	500.07	2.69
1% Fuel Oil FOB (\$/mt)	500.25	3.50	500.72	3.62	504.61	3.89	512.90	3.67		
Sing FO180 Cargo (\$/mt)	516.75	5.00	516.72	5.12	517.11	4.64	520.65	3.92		
Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	126.25	-2.00	121.05	-1.10	118.30	-0.65	120.90	-1.25	119.44	-1.10
API4 (FOB RBCT)	126.95	-0.30	121.05	1.15	117.10	0.90	120.10	0.20	115.40	-1.10

## 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	52.50	1,396.76	1,390.69	1,337.36	1,267.17	1,379.00	1,422.00
Silver	59.35	30.00	29.55	24.65	21.45	26.30	29.17
Platinum	54.30	1,747.90	1,724.95	1,663.70	1,631.06	1,734.00	1,797.00
Palladium	59.25	779.27	763.05	635.96	560.83	666.00	733.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGDX GLD	TOCOM GLD	CBOT GLD
	Feb'11	Mar'11	Apr'11	Apr'11	Feb'11	Dec'11	Feb'11
Settlement	1,383.80	29.6150	763.95	1,747.40	1,384.10	3,666.00	1,384.30
Open Interest			23,323	39,417		117,566	
Change in Open Interest			-199	-2,897		-10,300	

Sources: Standard Bank; LME; Bloomberg

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