

# FICC Research

## Commodities: Daily



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- Q4 has started with a bang with all of the base metals rallying strongly, albeit on fairly lacklustre volumes, helped by positive macroeconomic data and a weaker dollar. Copper and tin have been the stand out performers so far, with copper breaching \$8,100 and tin trading above \$25,000. Nickel has also been very strong, with the metal looking to test \$24,000.
- The start of the Chinese National Day holiday and the closure of the SHFE has seen reduced turnover overnight, with thinner volumes during Asian trade likely to be a feature of the market throughout next week. It is worth noting however, that although the SHFE will be closed during this period Chinese participants with open positions on the LME will continue to monitor the markets and will not be totally out of the game by any means.
- Crude oil performed very strongly yesterday with front-month WTI breaking through \$80 before closing fractionally lower at \$79.97. Of note, WTI closed above its 200-day MA for the first time since mid August, though crude oil still remains well within recent ranges. We expect that rangebound nature to continue, particularly given the large stock overhang, though, for the moment at least, the weaker dollar and positive run of economic data from the US appear to have sent the bears into hibernation.

### Commodity price data (30 September 2010)

Base metals LME 3-month									
	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,343	2,351	2,384	2,337	10	0.43%	2,314.00	21	-29.50
Copper	8,050	8,018	8,150	8,040	-14	-0.17%	8,053.50	37	-8.00
Lead	2,282	2,278	2,320	2,270	-21	-0.91%	2,262.00	-11	-25.75
Nickel	23,400	23,400	23,944	23,300	50	0.21%	23,390.00	190	6.00
Tin	24,400	24,250	24,620	24,400	-75	-0.31%	24,650.00	295	9.00
Zinc	2,200	2,196	2,247	2,186	-30	-1.35%	2,176.00	-11	-29.00
Energy									
	Open	Close	High	Low	day/day	Change (%)			
ICE Brent	82.21	82.88	83.12	82.21	0.57	0.69%			
NYMEX WTI	79.84	80.60	80.68	79.70	0.63	0.78%			
ICE Gasoil	716.00	720.75	722.75	715.00	14.00	1.94%			
API2 Q3'10	96.10	96.00	-	-	-0.10	-0.10%			
EUA Dec10	15.60	15.48	-	-	-0.12	-0.77%			
Precious metals									
	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs		
Gold	1,311.00	1,307.00	1,316.00	1,296.70	1,308.30	-0.30	1.1/1.5		
Silver	-	21.92	22.08	21.58	21.80	-0.14	1.0/3.0		
Platinum	1,650.00	1,662.00	1,662.00	1,639.00	1,655.00	5.00	3.5/5.5		
Palladium	568.00	573.00	574.00	557.00	567.00	1.00	1.0/3.0		

Sources: Standard Bank; LME; BBG

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## Base metals

Q4 has started with a bang with all of the base metals rallying strongly, albeit on fairly lacklustre volumes, helped by positive macroeconomic data and a weaker dollar. Copper and tin have been the stand out performers so far, with copper breaching \$8,100 and tin trading above \$25,000. Nickel has also been very strong, with the metal looking to test \$24,000.

Thursday was a consolidation day for the base metals, with the complex managing to shrug-off macroeconomic concerns in Europe and Quarter-end position housekeeping activity. In spite of the eye watering amount that the Irish government will have to find in order to bail out its banking industry, the market still seems fairly relaxed, with the dollar continuing to weaken against the euro during Friday morning, providing added impetus to the industrial metals.

The start of the Chinese National Day holiday and the closure of the SHFE has seen reduced turnover overnight, with thinner volumes during Asian trade likely to be a feature of the market throughout next week. It is worth noting however, that although the SHFE will be closed during this period Chinese participants with open positions on the LME will continue to monitor the markets and will not be totally out of the game by any means.

A suite of important US macroeconomic data this afternoon, including the September U. of Michigan Confidence index (expected at 67.0) and the ISM Manufacturing index (expected at 54.5 from 56.3) may prompt a bit of position squaring/profit taking activity this afternoon, though given how resilient prices have been for much of the past week or so the data will likely have to be significantly below expectations in order to make a sustained dent in the current rally.

Copper ran into resistance yesterday around \$8,050, with the metal struggling to break through this level on Thursday. That barrier has dissipated today however, with copper sailing through \$8,100 during the pre-market. Turnover has been relatively poor considering the scale of the move, with the lack of momentum seeing prices drift back slightly ahead of US trade.

## Precious metals

The precious metals continued to look to the dollar yesterday, with gold briefly coming under heavy pressure during Thursday afternoon as rumours of even tighter capital lending requirements knocked the stock markets and the dollar. Further dollar weakness this morning has helped give the precious metals a boost however, with gold trading above \$1,315/oz heading into the afternoon. Looking ahead, the market is focused on this afternoon's US data.

After remaining largely range bound in Asian trade, the upward momentum in gold and silver prices has resumed ahead of US spending, consumer confidence and manufacturing data later today.

Gold support is at \$1,300 and \$1,287. Resistance is at \$1,320 and \$1,328. Silver support is at \$21.65 and \$21.34, resistance is at \$22.17 and \$22.39.

The PGMs continue to receive support from the weaker dollar. Although the PGM's reaction to today's US data flow should follow that of the broader complex. Of particular importance are US vehicle sales. Consensus expectations are for a marginal improvement in the figures, with a disappointing figure therefore perhaps having a greater impact on the market. Platinum support is at \$1,650 and \$1,629, resistance at \$1,679 and \$1,685. Palladium support is at \$558 and resistance at \$584.

## Energy

Crude oil performed very strongly yesterday with front-month WTI breaking through \$80 before closing fractionally lower at \$79.97. Of note, WTI closed above its 200-day MA for the first time since mid August, though crude oil still remains well within recent ranges. We expect that rangebound nature to continue, particularly given the large stock overhang, though, for the moment at least, the weaker dollar and positive run of economic data from the US appear to have sent the bears into hibernation.

In addition to the positive macro data, there were also concerns over the potential supply disruption due to latest political unrest in Ecuador. According to US Department of Energy, Ecuador exported just over 300kbd oil, of which 220kbd went to the US.

In Europe, latest figures show that the ARA area saw a weekly build of 66kt in gasoline and 69kt in fuel oil, and a draw of 40kt in gasoil. Additionally, the French port workers' strike has kept the front month ICE Gasoil supported and have led to a small backwardation in the nearby forwards.

By Leon Westgate

## 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	4,355,650	4,358,800	600	3,750	-3,150	-273,250	248,500	5.71	291,650
Copper	374,150	375,100	900	1,850	-950	-128,175	21,750	5.81	154,421
Lead	191,700	191,925	100	325	-225	45,200	8,375	4.37	38,647
Nickel	122,556	122,658	0	102	-102	-35,454	4,284	3.50	28,558
Tin	13,430	13,515	15	100	-85	-13,335	1,350	10.05	7,288
Zinc	616,750	616,525	1,000	775	225	128,700	48,425	7.85	60,533

### Shanghai 3-month forward prices

### COMEX active month future prices

Metal	Open	Last	1d Change		Open	Close	Change	Change (%)
Aluminium	15,960	15,840	-85	Ali Dec'10	-	-	-	-
Copper	57,280	59,700	-940	Cu Dec'10	365	370.10	4.95	1.36%
Zinc	17,895	17,605	-270					

### ZAR metal prices (30 September 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,169	56,274	15,806	163,438	172,242	15,205	6.9875
3-month	16,478	56,197	15,966	164,008	169,966	15,392	7.0089

## 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)	91.43	2.09	92.14	2.22	92.70	2.31	94.15	2.29	-	-
Gasoil 0.1% Rdam (\$/mt)	720.75	14.00	718.25	14.25	718.25	14.00	724.25	12.25		
NWE CIF jet (\$/mt)	740.42	18.84	745.16	17.75	750.84	18.43	762.89	18.32		
Singapore Kero (\$/bbl)	91.98	2.09	92.84	2.27	93.55	2.31	95.05	2.12		
3.5% Rdam barges (\$/mt)	443.50	5.25	446.00	5.50	448.25	5.50	457.69	5.26		
1% Fuel Oil FOB (\$/mt)	461.50	5.00	466.50	5.25	471.25	5.00	482.94	5.51		
Sing FO 380 Cargo (\$/mt)	100.15	0.00	100.15	0.00	100.15	0.00	100.15	0.00		
Sing FO180 Cargo (\$/mt)	465.50	5.00	469.75	5.00	473.25	5.00	482.44	4.76		
Thermal coal	Q4-10		Q1-11		Q2-11		Cal 11		Cal 12	
API2 (CIF ARA)	96.00	-0.10	97.30	-0.10	98.80	-0.20	99.60	-0.20	106.90	-0.40
API4 (FOB RBCT)	90.20	0.20	92.30	-0.10	93.80	-0.20	94.60	-0.20	100.70	-0.40

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.39000	0.40600	0.43400	0.47600	0.51000		
Silver	0.60600	0.60600	0.62000	0.63200	0.65600		
USD Libor	0.25625	0.27297	0.29000	0.46250	0.77775		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	68.87	1,297.89	1,278.03	1,227.41	1,177.81	1,300.00	1,320.00
Silver	71.12	21.42	20.80	18.82	18.09	21.65	22.17
Platinum	65.45	1,641.55	1,608.54	1,556.86	1,581.90	1,650.00	1,679.00
Palladium	63.54	555.20	545.09	484.89	476.63	558.00	584.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'10	Dec'10	Jan'11	Jan'11	Oct'10	Aug'11	Dec'10
Settlement	1,311.40	21,9250	572.15	1,658.60	1,309.00	3,521.00	1,310.50
Open Interest	617,188	154,254	24,212	38,249	2,144	108,608	2,351
Change in Open Interest	-1,058	-2,366	-101	927	-114	-844	291

Date: 30 September 2010

Sources: Standard Bank; LME; Bloomberg

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