

Commodities

Commodities: Daily



7 October 2011

- Oil rallied yesterday following more supportive measures from the ECB and the Bank of England. Oil product inventories in Europe and Singapore declined w/w. We continue to see the oil market torn between a very tight physical market and uncertainty in the financial market.
- Precious metals markets could see increasing volatility following the non-farm payroll data today, especially in light of relatively lacklustre trading volumes. For gold though, price support remains firmly in place from robust physical demand. We do not foresee gold slipping much below \$1,635 today.
- The base metals rallied strongly on Thursday amid suggestions that plans for European bank recapitalisations are well under way. Further short-covering activity this morning initially helped the metals extend their gains, however, the rally has started to fade as attention turns to this afternoon's US nonfarm payroll figures and amid fresh uncertainty in Europe over quite how the EFSF will be distributed.

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Commodity price data (6 October 2011)

Base metals LME 3-month

	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m	
Aluminium	2,182	2,224	2,245	2,182	42	1.90%	2,170.00	38	-33.00
Copper	6,925	7,228	7,230	6,898	303	4.38%	7,095.50	235	-16.75
Lead	1,915	1,948	1,950	1,913	33	1.71%	1,944.50	-3	21.75
Nickel	18,780	19,050	19,050	18,500	270	1.44%	18,730.00	305	-33.00
Tin	21,200	22,398	22,398	20,910	1,198	5.65%	22,150.00	900	-4.00
Zinc	1,865	1,885	1,900	1,846	20	1.07%	1,843.50	13	-20.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	105.40	105.69	106.10	105.20	-0.04	-0.04%
NYMEX WTI	82.57	82.67	83.08	82.12	0.08	0.10%
ICE Gasoil	894.00	894.50	898.00	893.75	16.50	1.84%
API2 Q4'11	118.40	119.05	-	-	0.65	0.55%
ICE EUA Dec'11	10.27	10.42	-	-	0.15	1.46%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,649.50	1,635.00	1,653.30	1,632.80	1,649.50	9.90	1.4/1.8
Silver	-	32.22	32.05	30.27	31.86	1.54	1.0/3.0
Platinum	1,504.00	1,495.00	1,508.00	1,473.00	1,505.00	25.00	1.5/3.5
Palladium	595.00	588.00	598.00	572.00	598.00	28.00	0.0/1.0

Sources: Standard Bank; LME; BBG

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Energy

Oil rallied yesterday following more supportive measures from the ECB and the Bank of England. WTI and Brent gained \$2.91/bbl and \$3.0/bbl respectively. Gasoline and middle distillates cracks strengthened further on tight supplies, and so did the term structures of Brent and WTI. More supply disruptions in the North Sea kept Brent in very steep backwardation, although physical crude differentials, particularly those of high sulphur grades, have weakened during the past few weeks.

In Europe, the latest ARA total oil product inventories fell by 245kt w/w, with inventory changes in gasoline/naphtha/gasoil/kero/fuel oil at +115/+18/-137/-115/-126kt w/w respectively. Total ARA product stocks are now 17% and 21% below the levels of 2010 and 2009 respectively, signifying a tightening in the product market. In Singapore, total oil product inventories fell by -3288kbbbl w/w, with changes in light-distillate/middle-distillate/residues at +862/-1404/-2746 w/w. The supply disruption caused by the shutdown of Shell's 500kbd refinery in Singapore has clearly helped with the hefty inventory draw-down.

Yesterday, the Bank of England extended its quantitative easing programme from £200bn to £275bn. The ECB failed to cut interest rates, but re-introduced the liquidity support programme to banks, giving unlimited access to cash until January 2013, and resumed purchases of covered bonds. The market clearly welcomed the willingness of the two central banks in supporting the financial market and the economy.

The US non-farm payrolls number will be closely watched today, with the market expecting 55k jobs being added for September. That said, the main concern still lies with the Eurozone, with the market expecting further actions coming out the G20 finance ministers' meeting in week's time. We continue to see the oil market torn between a very tight physical market and uncertainty in the financial market.

By James Zhang

Precious metals

While the ECB did not cut rates yesterday, it did offer some respite by granting 1-year repurchase agreements. This easing of liquidity boosted market confidence and saw renewed interest across asset classes. The BoE extended its quantitative easing programme by £75bn. Gold and other precious metals have benefited. This is not surprising, given their close positive relationship with global liquidity and the threat that a drying up of liquidity would pose to all commodities, even precious metals.

Yesterday, there were reports that Vietnam's central bank has allowed six institutions (including the Saigon Jewellery Co.—the country's top gold trader) to re-open offshore gold trading accounts. Although the impact might be taken as bullish, if it should lead to a rise in gold imports into Vietnam, these are likely to be too little to prompt any significant price action.

As alluded to the past few days, all eyes will be on today's US non-farm payrolls data. Our G10 analyst sees a risk of a higher reading than expectations (consensus: 55k), but certainly not a particularly firm number. Consequently, long-term support for gold and silver from continued concerns over a possible US recession remains in place. In addition, Eurozone debt problems will also continue to remain a focus, and consequently benefit precious metals from a safe-haven demand perspective.

Ahead of today's payrolls release, there could be increasing volatility in precious metals markets, especially in light of relatively lacklustre trading volumes. For gold though, price support remains firmly in place from robust physical demand. We do not foresee gold slipping much below \$1,635 today.

Gold support is at \$1,639 and \$1,624. Resistance is \$1,664 and \$1,671. Silver support is at \$30.65 and \$29.45, resistance is at \$32.64 and \$33.42.

Platinum support is at \$1,489 and \$1,456, resistance is at \$1,538 and \$1,553. Palladium support is at \$577 and resistance at \$614.

By Marc Ground

Base metals

The base metals rallied strongly on Thursday amid suggestions that plans for European bank recapitalisations are well under way. Further short covering activity this morning initially helped the metals extend their gains, however, the rally has started to fade as attention turns to this afternoon's US nonfarm payroll figures and amid fresh uncertainty in Europe over quite how the EFSF will be distributed in the event it is used.

Today's eagerly awaited US Nonfarm Payroll figures are expected to come in around the 55K mark, according to Bloomberg consensus figures, while unemployment is expected to be unchanged at 9.1%.

Copper rallied back above \$7,350 this morning as yesterday afternoon's rally spilled over into the morning. Prices have however since come back under pressure as the market starts to look towards this afternoon's US data. On the inventory front, headline LME copper stocks fell again this morning, by \$4,625 mt, as metal starts to be withdrawn from Asian warehouses following the recent jump in cancelled warrants.

Tin has continued to rally, with the metal trading back towards \$23,000 this morning. The impact of recent news regarding the stoppage of exports from Indonesia continue to have an effect on sentiment, while further stock draws have also lent support. LME headline inventories have fallen 5% since the beginning of September and are now just above the 20,000 mt mark.

By Leon Westgate

Base metals

Daily LME Stock Movement (mt)

Metal	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled		Contract turnover
							warrants (mt)	Cancelled warrants (%)	
Aluminium	4,551,750	4,556,600	0	4,850	-4,850	274,700	239,300	5.26	244,296
Copper	471,725	474,925	0	3,200	-3,200	94,175	60,000	12.72	150,508
Lead	380,875	379,700	1,525	350	1,175	172,600	7,225	1.90	68,143
Nickel	94,884	95,382	0	498	-498	-40,788	7,050	7.43	24,597
Tin	20,705	20,525	180	0	180	4,430	4,470	21.59	4,081
Zinc	810,725	814,525	1,000	4,800	-3,800	109,300	79,525	9.81	85,049

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices			
				Open	Close	Change	Change (%)
Aluminium	-	-	-	Ali Dec'11	-	-	-
Copper	-	-	-	Cu Dec'11	325	330.35	5.70
Zinc	-	-	-				

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	17,455	57,076	15,642	150,664	178,175	14,829	8.0440
3-month	18,119	58,901	15,872	155,238	182,521	15,361	8.1490

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)	117.82	1.02	114.83	0.45	114.14	0.64	112.83	1.06	-	-
Gasoil 0.1% Rdam (\$/mt)	894.50	16.50	890.00	16.25	885.00	18.25	866.75	17.50	844.25	8.00
NWE CIF jet (\$/mt)	959.84	7.12	957.31	7.16	953.50	6.75	939.36	6.59	937.05	6.96
Singapore Kero (\$/bbl)	119.38	1.11	117.33	0.45	117.09	0.54	115.78	0.96	115.40	0.97
3.5% Rdam barges (\$/mt)	594.55	6.97	586.00	8.75	579.00	8.75	568.25	9.00	552.25	9.50
1% Fuel Oil FOB (\$/mt)	611.38	9.86	609.25	11.00	607.75	11.25	601.50	12.00		
Sing FO180 Cargo (\$/mt)	625.31	7.49	616.50	8.50	610.00	8.50	598.50	8.50		

Thermal coal	Q4-11		Q1-12		Q2-12		Cal 12		Cal 13	
API2 (CIF ARA)	119.05	0.65	119.60	0.70	119.50	0.70	119.95	0.80	123.20	0.80
API4 (FOB RBCT)	114.30	0.30	116.20	0.70	116.05	0.70	116.45	0.80	118.65	0.80

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.52167	0.52167	0.52333	0.52833	0.53333		
Silver	0.30000	0.30000	0.30000	0.27833	0.19000		
USD Libor	0.24233	0.30822	0.38778	0.57800	0.88850		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	46.91	1,635.64	1,709.35	1,651.81	1,538.82	1,639.00	1,664.00
Silver	41.26	30.82	34.84	37.69	36.35	30.65	32.64
Platinum	34.91	1,521.68	1,643.26	1,758.00	1,776.04	1,489.00	1,538.00
Palladium	37.04	607.11	654.44	747.91	762.76	576.00	614.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'11	Dec'11	Jan'12	Jan'12	Dec'11	Aug'12	Dec'11
Settlement	1,660.60	32.2400	611.00	1,508.10	1,669.20	4,088.00	1,661.00
Open Interest	432,816	100,552	19,011	38,197	9,164	126,421	1,871
Change in Open Interest	-4,104	-550	-505	-204	-32	3,447	-1

Sources: Standard Bank; LME; Bloomberg

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