

# Commodities

## Commodities: Daily



Focus: Gold—market confidence lacking

10 April 2012

**Focus:** Over the short term, we concur with the caution evident in the current futures market and ETF positioning. However, we consider \$1,630 and \$1,600 as good levels to establish long positions for an expected move higher, most likely to occur in H2:12.

- The base metals have come under pressure as the London market returns from the long Easter weekend and starts to digest Friday's very poor US Non Farm Payroll figures and the latest Chinese trade data. In addition to the economic data, a weaker euro is also helping to drag metals lower. With the exception of aluminium, the metals have seen fairly good levels of turnover however, with copper in particular seeing good two-way interest build up heading into the afternoon.
- With European markets back today, it is once again the euro/dollar that is largely dictating movements in precious metals—with a strengthening dollar weighing on prices and reversing the early morning gains. Concerns over the Eurozone sovereign debt crisis are back, with Spain the current focus.
- The oil market came under continuous pressure after the US non-farm payroll number for March was significantly below market expectation. Trading volume was low yesterday as much of Europe was on holiday. Net for the Monday, WTI and Brent fell only 85c/bbl and 76c/bbl respectively, after a strong recovery during the afternoon session.

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### Commodity price data (5 April 2012)

#### Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	-	2,109	-	-	-	-	-	-	-
Copper	-	8,361	-	-	-	-	-	-	-
Lead	-	2,060	-	-	-	-	-	-	-
Nickel	-	18,405	-	-	-	-	-	-	-
Tin	-	23,175	-	-	-	-	-	-	-
Zinc	-	2,003	-	-	-	-	-	-	-

#### Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	122.53	122.24	122.83	122.20	-0.43	-0.35%
NYMEX WTI	102.33	102.35	102.82	102.22	-0.11	-0.11%
ICE Gasoil	1,000.50	1,000.00	1,001.25	1,000.00	6.75	0.68%
API2 Q2'12	100.40	100.15	-	-	-0.25	-0.25%

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,622.50	1,631.00	1,648.60	1,637.00	1,643.00	-	0.8/1.2
Silver	-	31.77	32.09	31.36	31.52	-	-2.5/-0.5
Platinum	1,605.00	1,592.00	1,622.00	1,615.00	1,615.00	-	1.5/3.5
Palladium	640.00	635.00	651.00	644.00	642.00	-	0.0/1.0

Sources: Standard Bank; LME; BBG

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### Focus: Gold—market confidence lacking

According to the latest CFTC data (released on Friday 6 April 2012), open interest in COMEX gold fell 11.8 tonnes this past week. This brings open interest to the lowest level since January 2009, and also marks the sixth successive week of decline. Over these six weeks, open interest has fallen by a total of 215.0 tonnes, which has been accompanied by an 8% fall in the gold price over the same period.

After last week's brief interruption, net speculative length for COMEX gold once again moved lower, losing 33.6 tonnes over the past week. The change in the net position was largely the result of speculative longs being unwound (33.1 tonnes). There was also a meagre 0.5 tonnes added to speculative shorts. Consequently, total short positions remain comfortably below last year's average. However, total longs and net speculative length (at 581.0 tonnes and 481.0 tonnes) are also well below their respective averages for 2011 (of 786.8 tonnes and 671.3 tonnes), an indication that the market remains particularly weak.

ETF enthusiasm remains lacklustre. A noncommittal 1.1 tonnes were added to ETF holdings of gold over the past week. As in the futures market, there appears to be a growing lack of confidence in gold's prospects.

Much of the recent caution over gold's prospects has to do with lowered expectations of global liquidity growth; in particular, a third round of Fed quantitative easing. Our bullish view on gold has always been independent of whether or not QE3 occurs.

### Base Metals

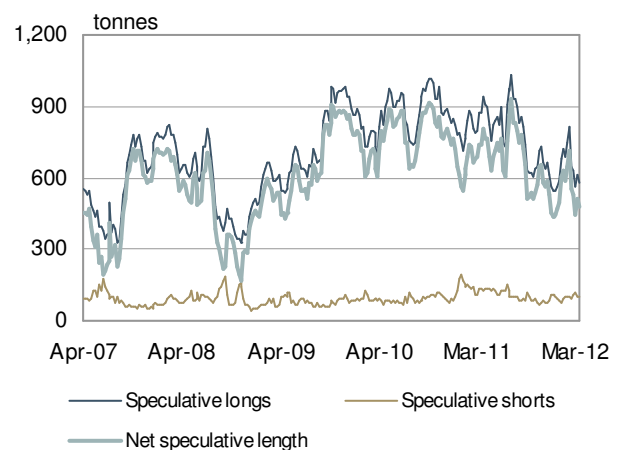
The base metals have come under pressure as the London market returns from the long Easter weekend and starts to digest Friday's very poor US Non Farm Payroll figures and the latest Chinese trade data. In addition to the economic data, a weaker euro is also helping to drag metal prices lower with concern re-emerging over the Spanish sovereign debt situation once again. With the exception of aluminium, the metals have seen fairly good levels of turnover however, with copper in particular seeing good two-way interest build up heading into the afternoon.

With the market slowly getting over the shock of Friday's NFP figures, the focus is now on the suite of Chinese data, in particular the New Yuan Loans due this week, and then the Chinese IP, GDP, FAI and Retail sales figures for March due out on Friday 13th. With the figures giving a sense of how the economy is faring post the Lunar holidays, the numbers will be closely watched and may result in a degree of trepidation and position squaring as Friday approaches.

Copper opened lower on Tuesday, rallying in initially back towards \$8,300 before drifting off again back towards \$8,200 heading into the afternoon. The latest Chinese copper import figures showed only a 4.6% drop in imports of unwrought copper and products in March, to 462.2kt. While this number reflects market conditions and sentiment from 6-8 weeks ago, it is nevertheless very strong when considering the moribund state of the physical market in China. The figure does however tie in nicely with anecdotal reports of ever increasing bonded stockpiles of copper, suggesting that the bulk of the tonnage is likely still being imported for financing purposes.

Given the duration of the copper backwardation, it will be interesting to see if any of that material is re-mobilised, or whether fresh imports are diverted into LME warehouses instead. In that regard, it's worth noting another increase in LME on-warrant stocks this morning, up 5,500 mt this morning. The main location for the inflows were Busan, up 3,000 mt and Baltimore again, up 2,200 mt. Also of interest with the Chinese copper scrap import figures which increased 7.5% m-o-m to 430 kt. The plentiful availability of scrap suggests that Chinese domestic smelter production may continue to be fairly strong, in spite of ongoing production problems at various copper mines.

### COMEX gold speculative longs and shorts



Sources: COMEX; Standard Bank Research

We feel that global reserve accumulation will continue to grow (spearheaded by emerging markets and particularly China) and consequently provide the main impetus for gold-friendly growth in global liquidity during 2012.

Over the short term, we concur with the caution evident in the current futures market and ETF positioning. However, we consider \$1,630 and \$1,600 as good levels to establish long positions for an expected move higher, most likely to occur in H2:12. We forecast an average gold price of \$1,790 for 2012.

By Marc Ground

By Leon Westgate

## Precious metals

Precious metals received a shot in the arm late last week from a disappointing US non-farm payroll number, as market participants continued to react to changing expectations of further quantitative easing. Of course, a weaker US economy raises the possibility that the Fed will need to act. The upward momentum stalled over the weekend, although, with some decent interest from the Far East, precious metals remained relatively steady yesterday.

Disappointing Chinese trade data sparked some interest in the complex earlier this morning, as poor imports numbers signalled perhaps a deeper slowing down of the Chinese economy than originally anticipated. This saw some safe-haven buying emerge in Asia, and no doubt also propped up expectations that this could see the PBoC increase the pace of monetary easing.

However, with European markets back today, it is once again the euro/dollar that is largely dictating movements in precious metals—with a strengthening dollar weighing on prices and reversing the early morning gains. Concerns over the Eurozone sovereign debt crisis are back, with Spain the current focus. To this end, we could see some euro/dollar reaction (and consequently, a reaction from precious metals) from tomorrow morning's Spanish industrial production figures.

Physical demand for gold, which has been relatively good despite the protest action in India is likely to pick up, after it was announced that Indian jewellery stores would be reopening ahead of the Akshaytritya Festival which begins 24 April.

Gold support is at \$1,635 and \$1,629. Resistance is \$1,649 and \$1,656. Silver support is at \$31.21 and \$30.88, resistance is at \$32.02 and \$32.49.

Platinum support is at \$1,600 and \$1,594, resistance is at \$1,620 and \$1,632. Palladium support is at \$635 and resistance at \$647.

**By Marc Ground**

## Energy

The oil market came under continuous pressure after the US non-farm payroll number for March was significantly below market expectation. Trading volume was low yesterday as much of Europe was on holiday. Net for the Monday, WTI and Brent fell only 85c/bbl and 76c/bbl respectively, after a strong recovery during the afternoon session. Oil products declined more than crude, which halted the strong rally in refining margins. The term structures in Brent and WTI were softer as flat prices were sold off amid signs of an improvement in global oil supply.

The price activity in the oil market was clearly reflected by changes in net positions held by non-commercials who cut their net length in WTI by 23.5k, to 345.6k in futures and options last week, at the sharpest pace since 9 August 2011. Net for last week, index investors are estimated to have withdrawn -\$7.53bn from the commodity markets, taking the total withdrawal over the past three weeks to -\$13.45bn. The energy commodity market experienced the majority of this week's outflow, at -\$5.65bn.

The oil market runs into strong resistance at the \$125/bbl level for Brent, due to the drag that even higher prices would most likely have on global economic growth. In addition, seasonal slowdown in oil demand during the second quarter tends to reduce global demand for crude by up to 2mb/d, which is partially reflected by the sharp inventory build in the US. Politically, presidential elections in the US and France increase the chances of a price intervention via a reserve release.

We expect the oil market to continue with its downward correction ahead of the nuclear talks between Iran and the five permanent members of US security council on 17 April. While refining margins in Europe are very strong, the weakness in the Brent spread suggests that the oil market is well supplied. Implied volatility bounced a little since the middle of last week as oil prices came off. However, the market is very volatile, with any rallies in volume being sold into.

**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	-	-	-	-	-	-	-	-	-
Copper	-	-	-	-	-	-	-	-	-
Lead	-	-	-	-	-	-	-	-	-
Nickel	-	-	-	-	-	-	-	-	-
Tin	-	-	-	-	-	-	-	-	-
Zinc	-	-	-	-	-	-	-	-	-

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,150	16,150	-25
Copper	59,550	59,360	-650
Zinc	15,525	15,525	-50

### COMEX active month future prices

Metal	Open	Close	Change	Change (%)
Aluminium	Ali May'12	-	-	-
Copper	Cu May'12	372	374.50	2.50
Zinc				

### ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	-	-	-	-	-	-	7.8400
3-month	16,755	66,424	16,362	146,219	184,114	15,913	7.9445

## 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)	133.50	-1.43	132.88	-1.75	132.83	-1.77	132.37	-1.69	-	-
Gasoil 0.1% Rdam (\$/mt)	1,000.00	6.75	-	-	-	-	998.00	-12.75	-	-
NWE CIF jet (\$/mt)	1,076.95	-10.68	1,071.75	-13.08	1,072.33	-13.17	1,075.35	-12.59	1,069.33	-10.59
Singapore Kero (\$/bbl)	133.48	-1.43	133.13	-1.75	133.29	-1.77	133.48	-1.69	132.62	-1.43
3.5% Rdam barges (\$/mt)	695.75	5.00	696.75	5.00	695.00	5.00	685.50	5.00	663.75	5.25
1% Fuel Oil FOB (\$/mt)	755.25	5.00	748.25	5.00	744.75	5.00	735.00	5.00		
Sing FO180 Cargo (\$/mt)	739.50	5.00	735.38	5.00	733.50	5.00	723.00	5.00		

Thermal coal	Q2-12		Q3-12		Q4-12		Cal 13		Cal 14	
API2 (CIF ARA)	100.15	-0.25	104.80	-0.10	108.90	0.10	114.00	0.20	119.70	0.30
API4 (FOB RBCT)	102.65	-0.15	103.95	-0.20	106.20	0.35	111.45	0.25	115.10	0.30

## Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.36760	0.39200	0.41700	0.48540	0.57400
Silver	0.50000	0.49000	0.48000	0.45200	0.43800
USD Libor	0.24125	0.34980	0.46915	0.73340	1.05070

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	46.46	1,649.71	1,655.24	1,677.16	1,694.78	1,635.00	1,649.00
Silver	46.76	32.05	32.21	32.02	34.39	31.21	32.02
Platinum	49.81	1,624.65	1,640.19	1,574.93	1,638.95	1,600.00	1,620.00
Palladium	45.90	647.62	665.50	665.29	686.97	635.0	647.0

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Jun'12	May'12	Jul'12	Jul'12	Jun'12	Feb'13	Jun'12
Settlement	1,653.60	31.7750	651.10	1,618.20	1,653.30	4,338.00	1,643.20
Open Interest	401,018	114,663	20,538	39,377	1,671	125,675	1,513
Change in Open Interest	-	-	-	-	-	-	-

Sources: Standard Bank; LME; Bloomberg

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