

# Commodities

## Commodities: Daily



Focus: Platinum moving into the zone

12 April 2012

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For a while, we've been viewing a platinum price between \$1,600 and \$1,550 as a level where downside is becoming increasingly compressed. Platinum has in the past week dropped into this range finding support at around \$1,580. While we don't discount further downside beyond this level we believe that price declines below the \$1,550 level will be short lived as long as the ZAR doesn't depreciate substantially against the USD.

- Wednesday saw the base metals stabilise following Tuesday's fast-paced sell-off, while better-than-expected Chinese loan data has helped the complex stage a recovery this morning. A volatile morning for the euro has undermined confidence however, with the metals running out of steam heading into the afternoon.
- This morning, gold is struggling, weighed down by a strengthening dollar and faltering investor interest. Physical demand on the other hand has been supportive, with particularly strong buying coming out of the Far East on price dips.
- We maintain our bearish bias towards the oil market ahead of the Iranian negotiations on 17 April. The physical market is showing signs of softness in the near term, reflected in the weak Brent time spreads and declining price differentials for physical cargoes.

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### Commodity price data (11 April 2012)

#### Base metals LME 3-month

	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m	
Aluminium	2,073	2,099	2,101	2,071	26	1.25%	2,036.00	-15	-38.25
Copper	8,095	8,040	8,110	8,018	-55	-0.68%	8,115.00	-141	37.50
Lead	2,010	2,053	2,055	1,994	43	2.14%	2,019.00	-19	7.00
Nickel	18,050	18,100	18,194	17,831	50	0.28%	17,925.00	-85	-68.00
Tin	22,600	22,425	22,850	22,420	-175	-0.77%	22,650.00	-200	-65.75
Zinc	1,985	1,995	2,010	1,977	10	0.50%	1,985.50	-13	5.25

#### Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	120.14	120.17	120.20	119.93	-0.01	-0.01%
NYMEX WTI	102.55	102.75	102.77	102.39	0.05	0.05%
ICE Gasoil	990.00	999.00	1,001.50	983.75	5.50	0.55%
API2 Q2'12	99.70	98.80	-	-	-0.90	-0.91%

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,654.00	1,658.00	1,662.60	1,654.00	1,658.80	-0.70	0.8/1.2
Silver	-	31.57	31.82	31.43	31.52	-0.11	-2.5/-0.5
Platinum	1,596.00	1,590.00	1,600.00	1,585.00	1,585.00	-10.00	1.5/3.5
Palladium	637.00	637.00	643.00	636.00	636.00	0.00	0.0/1.0

Sources: Standard Bank; LME; BBG

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For a while, we've been viewing a platinum price between \$1,600 and \$1,550 as a level where downside is becoming increasingly compressed. Platinum has in the past week dropped into this range finding support at around \$1,580. While we don't discount further downside beyond this level we believe that price declines below the \$1,550 level will be short lived as long as the ZAR doesn't depreciate substantially against the USD.

The platinum price in USD has fallen from \$1,700 a month ago, to the current \$1,585 (at the same time, palladium declined from \$700 to \$640 and rhodium from \$1,450 to \$1,375). However, the PGM basket price in ZAR remained very stable over the same period, with the price ranging between ZAR9,800/PGMoz and ZAR10,100/PGMoz. Much of the price stability comes from a ZAR that has depreciated against the dollar as commodity prices came under pressure.

As a result, from a cost-of-production perspective little additional pressures have been felt by South African producers despite the downward pressure on dollar-denominated PGM prices recently. Therefore, there is no fundamental reason for the dollar-denominated platinum price to rise just yet (and for that matter little pressure for palladium and rhodium prices to rise too).

Furthermore, as mentioned previously, we believe that industrial demand for PGMs remain weak (see our *Commodity Market Themes* report dated 23 March 2012). This is evident in the recent Swiss Customs data, in the behaviour of sponge discounts for platinum, and in auto sales in Europe which remains lacklustre. That said, we do believe that there is growing sup-

### Base Metals

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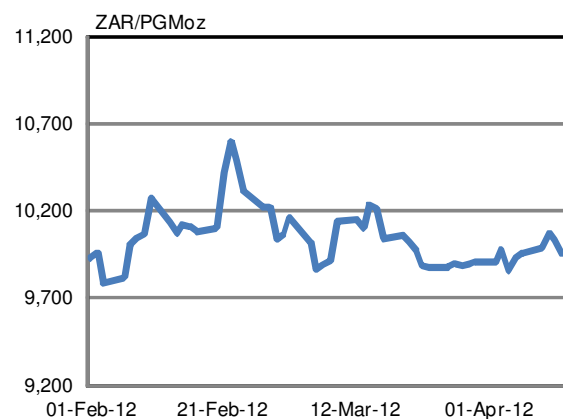
Chinese monetary easing looks to have already taken place, with New Yuan Loans for March coming in at a higher-than-expected 1.010 Billion CNY. There is always a lagged effect with the loan numbers, so the lack of any discernible pickup in activity post the Lunar holidays is not necessarily as bad as it seems, though it may also mean that further easing measures are perhaps delayed as the government waits to see how the loans filter through to the economy.

The main slew of Chinese data is due out overnight, including Q1 GDP, expected at 8.4% y-o-y and 1.9% q-o-q. Also being released are the March IP numbers, expected at 11.6%, Fixed Asset Investment, expected at 21.0% and Retail Sales, expected at 15.1%.

Copper traded sideways on Wednesday before recovering this morning on the back of the Chinese data. Prices have recovered back above \$8,100 and its 100-day MA, with this level likely to be a bit of a battleground over the coming days. Of note, physical copper in China is trading at a small 50 CNY discount to the April SHFE contract, for the second day in a row, suggesting the price weakness has triggered some small scale buying activity. Elsewhere, LME on-warrant stocks continue to climb, gaining 1,150 mt, though the focus has shifted away from Asia and back to Europe with Rotterdam accounting for the bulk of today's inflow.

Lead has been particularly busy this morning, with yesterday's rally continuing into Thursday. Prices rallied all the way up to \$2,072 this morning, on the back of very good turnover, before drifting back heading into the early afternoon. Elsewhere,

### PGM basket price



Source: Standard Bank Research

port from jewellery demand with the latest price declines, especially out of China (see our *Commodities Daily* note dated 3 April 2012).

We believe that the risk of the platinum market tightening up via production stoppages in SA this year remains high. Already, we believe that the market is almost balanced (seeing a small surplus of 14K oz in 2012). And while we believe that the ZAR could remain under pressure for now, we see it regaining strength towards year-end. Therefore, we look for platinum to move towards the lower end of our range, around \$1,550, where we believe upside outweighs downside risk. We continue to believe that a platinum price above \$1,700 is not sustainable yet on the back of weak demand — although large production losses would clearly shift this level higher.

By Walter de Wet

nickel prices have stalled again, with the metal trading sideways around yesterday's closing levels. Nickel volumes are noticeably subdued compared to the other LME metals and to the flurry of activity seen in nickel in late March and early April.

By Leon Westgate

## Precious metals

Gold traded in a fairly tight range yesterday, mimicking the similarly muted moves in the euro/dollar exchange rate. The release of the Fed Beige Book did not give the markets much direction either way in terms of further quantitative easing. The US economy was described as expanding at a "modest to moderate pace". High gasoline prices were noted as a threat to economic growth through its effect on consumer spending. There was a flurry in precious metals during Asian market hours after Fed member Yellen discussed her support for accommodative monetary policy if inflation remains at or below 2% and the pace of recovery disappoints. However, this upward move failed to gather momentum and the gold price soon retreated and resumed its sideways pattern.

This morning, gold is struggling weighed down by a strengthening dollar and faltering investor interest. Physical demand on the other hand has been supportive, with particularly strong buying coming out of the Far East on price dips. Another point of support for gold in our view is the latest Chinese foreign exchange reserves data, which showed a much stronger-than-expected increase in March. Our long held view has been that gold is driven by global liquidity and real long-term interest rates. Reserve accumulation (especially from China) is crucial for continued growth in global liquidity, especially as further easing from central banks seems unlikely. In fact, reserve accumulation and continued low real interest rates underscores our long-term bullish outlook for gold.

Gold support is at \$1,652 and \$1,648. Resistance is \$1,663 and \$1,668. Silver support is at \$31.38 and \$31.18, resistance is at \$31.82 and \$32.04.

Platinum support is at \$1,580 and \$1,569, resistance is at \$1,605 and \$1,618. Palladium support is at \$635 and resistance at \$647.

By Marc Ground

## Energy

The oil market recovered marginally as equities bounced back yesterday. A smaller-than-expected inventory build of crude and products in the US also assisted prices. WTI and Brent gained \$1.68/bbl and 30c/bbl respectively. Oil products outperformed crude on the back of hefty product inventory draws reported in the US. However, the time spread in Brent continued to weaken on an improved supply situation. This is consistent with the view expressed by the IEA in their latest monthly Oil Market Report.

The DOE reported US weekly oil inventory changes for crude/gasoline/distillates at +2.8/-4.3/-4.0mb w/w. Crude inventories at Cushing rose by 0.3mmbbl. According to the API report, US crude imports dropped sharply, by 1.3mb/d w/w, while refinery crude input fell by 327kb/d w/w. This leaves total US crude stocks at a new record-high level on a seasonal basis. Meanwhile, the hefty draws in product inventories were driven by a fall in the refinery run rate and an increase in implied product demand on a weekly basis. However, we do think some of the increase in implied demand was distorted by assumptions on export volumes.

The latest IEA oil market report suggests that global oil supply had moved ahead of oil demand since March, on increased production from Saudi, which is aligned with our view of the last few weeks. More importantly, it is also aligned with the price activity in the time spreads of the Brent curves. In fact, the dated Brent CFD has recently turned negative, which means a contango market at the very front-end of Brent market. That said, the IEA warned over further falls in Iranian output and a shrinking spare capacity in Saudi.

We maintain our bearish bias towards the oil market ahead of the Iranian negotiations on 17 April. The physical market is showing signs of softness in the near term, reflected in the weak Brent time spreads and declining price differentials for physical cargos. Meanwhile, it appears that some of the Eurozone countries will have to depend on the ECB for their stressed sovereign debt situation, which will keep the general market sentiment pessimistic. As the seasonal maintenance comes to an end in a few weeks time, we expect demand for crude to pick up again and put pressure on the very strong product cracks and refining margins.

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	5,050,925	5,066,625	2,775	18,475	-15,700	80,525	1,618,500	32.04	337,096
Copper	267,150	268,400	2,625	3,875	-1,250	-103,750	72,125	27.00	226,508
Lead	374,525	373,375	3,650	2,500	1,150	21,450	12,425	3.32	63,732
Nickel	99,330	100,026	0	696	-696	9,282	6,834	6.88	59,011
Tin	13,150	13,045	105	0	105	960	860	6.54	8,352
Zinc	900,750	899,825	2,225	1,300	925	79,050	20,100	2.23	156,712

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,070	16,085	40
Copper	58,070	57,980	-90
Zinc	15,400	15,400	35

### COMEX active month future prices

	Open	Close	Change	Change (%)
Ali May'12	-	-	-	-
Cu May'12	364	365.45	1.50	0.41%

### ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,237	64,717	16,102	142,952	180,634	15,834	7.9750
3-month	16,965	64,981	16,593	146,288	181,243	16,124	8.0822

## 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)	133.61	0.12	132.89	0.24	132.69	0.16	131.85	-0.09	-	-
Gasoil 0.1% Rdam (\$/mt)	999.00	5.50	995.25	-2.50	993.25	-2.25	994.00	-0.75	982.50	-1.25
NWE CIF jet (\$/mt)	1,076.96	0.42	1,069.43	-0.05	1,068.84	-0.87	1,069.97	-1.96	1,064.33	-2.33
Singapore Kero (\$/bbl)	133.57	0.10	133.14	0.24	133.14	0.14	132.99	-0.07	132.19	-0.07
3.5% Rdam barges (\$/mt)	689.74	1.92	688.75	2.75	687.00	2.75	676.75	2.00	656.50	2.00
1% Fuel Oil FOB (\$/mt)	749.82	-0.84	738.25	-1.50	735.00	-1.00	726.75	0.75	-	-
Sing FO180 Cargo (\$/mt)	735.02	1.74	728.00	3.12	726.50	3.00	715.25	2.50	-	-

Thermal coal	Q2-12		Q3-12		Q4-12		Cal 13		Cal 14	
API2 (CIF ARA)	98.80	-0.90	103.90	-0.45	107.90	-0.50	113.40	-0.20	119.20	-0.20
API4 (FOB RBCT)	102.60	0.10	103.80	0.05	105.90	0.10	111.20	0.20	114.75	-0.05

## Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.35160	0.36600	0.39300	0.46540	0.54600
Silver	0.48400	0.49000	0.47800	0.45800	0.43800
USD Libor	0.24025	0.34955	0.46865	0.73340	1.05070

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	47.34	1,649.77	1,656.36	1,676.55	1,696.10	1,652.00	1,663.00
Silver	46.11	31.93	32.13	32.01	34.35	31.38	31.82
Platinum	45.35	1,612.42	1,629.28	1,575.16	1,637.34	1,580.00	1,605.00
Palladium	43.62	645.42	658.82	666.05	685.65	635.0	647.0

Active Month Future	COMEX GLD Jun'12	COMEX SLV May'12	NYMEX PAL Jul'12	NYMEX PLAT Jul'12	DGCX GLD Jun'12	TOCOM GLD Feb'13	CBOT GLD Jun'12
Settlement	1,660.00	31.5950	638.50	1,584.30	1,660.10	4,323.00	1,660.30
Open Interest	403,989	114,469	20,821	39,814	1,458	126,229	1,507
Change in Open Interest	1,603	-1,309	207	441	21	-320	-2

Sources: Standard Bank; LME; Bloomberg

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