Commodities

Commodities: Daily

Standard Bank

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Please note that there will be no Commodities Daily published on Friday 20 April.

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- After the previous day's relief (off the back of a successful Spanish treasury bill auction), the woes of the Eurozone were brought sharply back into focus yesterday, as the Spanish central bank revealed data showing an alarming increase in non-performing loans. According to the Bank of Spain, non-performing loans as a proportion of total lending in the country jumped to 8.16% in February, the highest level since 1994, and a deterioration from January's 7.91%. Ahead of today's Spanish bond auction, the report weighed heavily on **base metals** via subdued sentiment and a stronger dollar.

- **Precious metals** once again fell victim to a strengthening dollar yesterday and, like base metals, did not stage much of a recovery even when dollar strength relented. Interest in the complex is being dampened by fears over further dollar strength should this morning's Spanish bond auction not go smoothly. These fears have been heightened by a Bank of Spain report showing that bad loans are on the increase in the country. Figures for Italy were also released, and were likewise uninspiring.

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Commodity price data (18 April 2012)

Base metals LME 3-month	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,085	2,059	2,094	2,054	-26	-1.25%	2,028.50	-12	-40.25
Copper	8,056	8,050	8,125	7,986	-6	-0.07%	8,085.00	-16	88.00
Lead	2,074	2,045	2,094	2,028	-29	-1.40%	2,042.00	-24	-16.00
Nickel	17,850	17,650	17,950	17,650	-200	-1.12%	17,720.00	-35	-75.00
Tin	21,500	21,000	21,600	20,826	-500	-2.33%	21,170.00	-80	-78.00
Zinc	1,995	1,992	2,010	1,979	-3	-0.15%	1,981.00	-8	-13.50

Energy	Open	Close	High	Low	day/day	Change (%)
ICE Brent	118.15	118.22	118.50	118.01	0.25	0.21%
NYMEX WTI	102.73	102.56	102.84	102.55	-0.11	-0.11%
ICE Gasoil	992.75	995.00	996.00	992.75	9.50	0.95%
API2 Q2'12	97.70	97.40	-	-	-0.30	-0.31%

Precious metals	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,646.50	1,644.00	1,654.00	1,638.40	1,639.30	-10.70	0.5/0.9
Silver	-	31.46	31.89	31.39	31.49	-0.20	-3.5/-1.5
Platinum	1,584.00	1,578.00	1,589.00	1,578.00	1,575.00	-5.00	1.5/3.5
Palladium	661.00	657.00	662.00	654.00	655.00	-5.00	0.0/1.0

Sources: Standard Bank; LME; BBG

Energy

The oil market failed to recover yesterday, even after a sizeable draw in US commercial oil inventories, which presents a clear sign of weakness. WTI and Brent fell by $1.53/bbl and 81c/bbl respectively. Despite a much larger-than-expected draw in US oil product inventories, oil product prices also declined. The time spread in Brent at the very front end was nearly flat but later recovered slightly to keep Jun/July in a slight backwardation.

The DOE reported US weekly oil inventory changes for crude/gasoline/distillates at +3.9/-3.7/-2.9mb w/w. Crude inventories at Cushing rose by 0.6mbbl, at a much slower pace than that of Q1:12. According to the DOE report, US crude imports rose by 0.2mb/d and refinery crude inputs also increased slightly. Meanwhile, implied demand for both gasoline and distillates rose, which will lend some support to the market.

The focus in the market today will the 13.5 billion bond auction from Spain and France. Judging from recent market sentiment, the risk of low demand is a real threat to the market, unless the ECB steps in again to purchase these bonds. If the auction goes well, the market is likely to have a strong relief rally. That said, more Eurozone woes might be presented in the form off Italian industrial orders and Eurozone consumer confidence.

The dated Brent CFD market turned into contango a few days ago. And now the June/July Brent future is also heading towards contango, with the spread trading just above zero this morning. Given the shift in Brent structure, we have to maintain our bearish bias on oil market fundamentals. In particular, we are very cautious of a possible sharp drop in prices triggered by longs trying to exit the market en masse, which could be triggered by further price declines or events such as a reserve release. We prefer expressing our bearish view via shorting time spreads and product cracks rather than aggressively shorting the flat price. As for options, we view the current level of volatility as cheap. It has been pushed down by the unwinding of long vol positions built at the height of the Iranian nuclear tensions at the beginning of this year.

By Marc Ground

Base metals

After the previous day's relief (off the back of a successful Spanish treasury bill auction), the woes of the Eurozone were brought sharply back into focus yesterday, as the Spanish central bank revealed data showing an alarming increase in non-performing loans. According to the Bank of Spain, non-performing loans as a proportion of total lending in the country jumped to 8.16% in February, the highest level since 1994, and a deterioration from January's 7.91%. Ahead of today's Spanish bond auction, the report weighed heavily on base metals via subdued sentiment and a stronger dollar.

However, despite the dollar losing some ground in the later part of the trading day, downbeat sentiment remained the ultimate force behind markets which kept the base metals from staging a recovery. Overnight, Asian interest helped the complex remain firm, with particular interest in aluminium and zinc.

A report from the International Nickel Study Group has highlighted that while refined nickel production fell to 144k tonnes in February, demand was only 132k tonnes over the some month—marking an eighth consecutive month of surplus. We have argued that nickel is perhaps the only metal trading fundamentally at the moment, with weak near-term demand and expectations of further production, both from restarting and ramping up projects, weighing on sentiment. Given the relatively high levels of both reported and unreported stocks at the moment, and assuming no ban from Indonesia, it's hard to justify a significant price rally from current levels, even if a seasonal fall in nickel stocks emerges.

Staying with nickel, Norilsk yesterday highlighted the upside potential for nickel prices should Indonesia ban laterite ore exports. As noted in *Base Metals Monthly* of 12 March 2012, we still believe that the talks about bringing forward an Indonesian ban to May this year is a scare tactic, aimed at turning tentative agreements to set up NPI furnaces in Indonesia into something more concrete. The fact that companies like Sumitomo are negotiating with the government on the issue also suggests that pragmatism will win and a ban will be averted, though we readily admit that the situation is still far from certain.

Apart from the Spanish auction, we have US jobless claims, the Philadelphia Fed and existing home sales numbers. Existing home sales are expected to show an improvement during March (+0.7% is expected, compared to a decline of 0.9% m/m in February). The Philadelphia Fed index of general economic conditions is expected to ease to 12.0 in April, from 12.5 in March. However, we doubt that these releases could outweigh the ramifications should the Spanish auction not be viewed as a success by markets.

By Marc Ground

Precious metals

Precious metals once again fell victim to a strengthening dollar yesterday and, like base metals, did not stage much of a recovery even when dollar strength relented. Interest in the complex is being dampened by fears over further dollar strength should this morning's Spanish bond auction not go smoothly. These fears have been heightened by a Bank of Spain report showing that bad loans are on the increase in the country. Figures for Italy were also released, and were likewise uninspiring. Non-performing loans rose to 16.5%, the highest since 2000.

The Asian market failed to provide much support for the precious metals, with light liquidation seeing prices remain steady. Physical buying out of Asia is strengthening as we approach the Indian Akshaya Tritya festival beginning 24 April. The pace of demand is not to the extent that we expected. However, we still remain hopeful.

For today, much will depend on the success of the Spanish bond auction and the consequent movements in the euro/dollar. In terms of data flow, there is not much out today that we feel would be of greater significance to the precious metals markets.

Gold support is at $1,633 and $1,627. Resistance is $1,651 and $1,661. Silver support is at $31.29 and $31.07, resistance is at $31.83 and $32.13.

Platinum support is at $1,571 and $1,562, resistance is at $1,593 and $1,605. Palladium support is at $655 and resistance at $666.

By Marc Ground

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	5,071,000	5,079,900	0	8,900	-8,900	100,600	1,688,850	33.30	223,851
Copper	261,150	261,075	3,475	3,400	75	-109,750	62,400	23.89	194,603
Lead	371,450	371,450	1,350	1,350	0	18,375	22,225	5.98	61,127
Nickel	99,624	98,856	1,020	252	768	9,576	4,500	4.52	41,293
Tin	13,470	13,275	195	0	195	1,280	910	6.76	6,624
Zinc	912,450	912,150	1,000	700	300	90,750	16,975	1.86	129,278

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,060	16,060	-30
Copper	57,310	57,520	60
Zinc	15,455	15,450	-10

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali May'12	-	-	-	-
Cu May'12	364	363.25	-0.60	-0.16%

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,893	63,346	15,999	138,836	165,867	15,521	7.8350
3-month	16,347	63,912	16,236	140,130	166,727	15,815	7.9394

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 ($/bbbl)	132.31	-0.31	130.24	-1.36	130.38	-1.39	130.06	-1.45	-	-
Gasoil 0.1% Rdam ($/mt)	995.00	9.50	992.50	10.00	990.75	9.50	979.50	-10.50	965.00	-9.25
NWE CIF jet ($/mt)	1,070.33	-4.42	1,055.54	-10.20	1,055.34	-10.20	1,055.93	-10.64	1,049.16	-9.08
Singapore Kero ($/bbl)	132.31	-1.26	130.75	-1.50	130.93	-1.49	131.12	-1.44	130.37	-1.31
3.5% Rdam barges ($/mt)	680.70	-4.97	672.00	-6.75	669.75	-6.50	660.50	-6.25	641.50	-5.00
1% Fuel Oil FOB ($/mt)	740.29	-4.14	718.50	-7.75	716.00	-7.25	709.00	-6.75		
Sing FO180 Cargo ($/mt)	728.74	0.29	712.25	-6.75	709.50	-6.75	699.25	-6.50		

Thermal coal	Q2-12		Q3-12		Q4-12		Cal 13		Cal 14	
API2 (CIF ARA)	97.40	-0.30	101.40	-0.55	105.40	-0.70	111.60	-0.40	117.65	-0.35
API4 (FOB RBCT)	100.40	-0.65	101.70	-0.65	104.00	-0.50	109.70	-0.40	113.70	0.00

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.33667	0.35000	0.38000	0.46167	0.53667
Silver	0.51667	0.51500	0.51500	0.50833	0.47500
USD Libor	0.23975	0.34705	0.46565	0.73090	1.04720

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.12	1,651.10	1,655.66	1,673.10	1,698.22	1,633.00	1,651.00
Silver	46.14	31.69	31.99	31.99	34.21	31.29	31.83
Platinum	44.95	1,590.40	1,611.75	1,577.35	1,633.65	1,571.00	1,593.00
Palladium	47.53	649.77	651.25	669.94	682.75	655.0	666.0

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	1,638.70	31.4400	656.35	1,579.20	1,638.80	4,294.00	1,641.30
Open Interest	398,526	121,448	21,466	40,585	1,618	125,417	1,512
Change in Open Interest	-2,339	3,245	185	426	81	0	5

Sources: Standard Bank; LME; Bloomberg

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