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- **Focus** The SHFE Copper price has come under pressure overnight following weakness in the LME price. Continued selling would alleviate some of the panic amongst Chinese consumers, but may also see the SHFE-LME arbitrage narrow too.
- **There is increased risk aversion** after yesterday's sell-off in global equities. Although ETF holdings are rising again, investment appetite remains listless.
- **PGM are trading lower**, as base metals, especially copper, have been under pressure since yesterday.
- The rhodium price fixed at \$1,635 — substantially higher than \$1,120 at the beginning of April.
- Negative equity market sentiment and increased risk aversion depressed the energy complex yesterday — **but oil price technical signals indicate a possible correction today.**
- Press reports suggest that **China's SRB has been selling** around 20-50kt of Copper into the local spot market.
- Aluminium is holding on well compared to the rest of the base metals.

Commodity price data (20 April 2009)

Base metals LME 3-month									
	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,466	1,441	1,491	1,432	-47	-3.16	1,419.00	-22	-37.25
Copper	4,675	4,595	4,790	4,565	-128	-2.67	4,636.00	-89	-5.00
Lead	1,493	1,460	1,537	1,455	-90	-5.79	1,509.00	-16	13.00
Nickel	12,350	12,100	12,840	12,025	-775	-6.03	12,230.00	-200	-65.00
Tin	12,220	12,100	12,498	11,925	-205	-1.67	12,400.00	200	130.00
Zinc	1,508	1,488	1,550	1,470	-72	-4.62	1,473.00	-29	-28.00

Energy									
	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	49.86	50.04	50.15	49.82	0.18	0.36%	45.00	45.00	46.00
NYMEX WTI	45.26	45.99	45.99	45.26	0.11	0.24%	42.00	41.00	40.00
ICE Gasoil	430.50	430.50	430.50	428.50	-0.50	-0.12%	39.00	39.00	38.00
API2 Q2'09	65.02	63.60	-	-	-1.42	-2.23%	-	-	-
ICE EUA Dec09	13.76	13.18	-	-	-0.58	-4.22%	-	-	-

Precious metals							
	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	870.00	877.00	888.40	866.00	886.00	19.25	0.60/1.00
Silver	-	12.17	12.16	11.86	12.12	0.30	-4.00/-2.00
Platinum	1,181.00	1,180.00	1,207.00	1,163.00	1,162.00	-46.00	3/7
Palladium	233.00	233.00	233.00	226.00	228.00	-5.00	0/3

Sources: Standard Bank; LME; Bloomberg



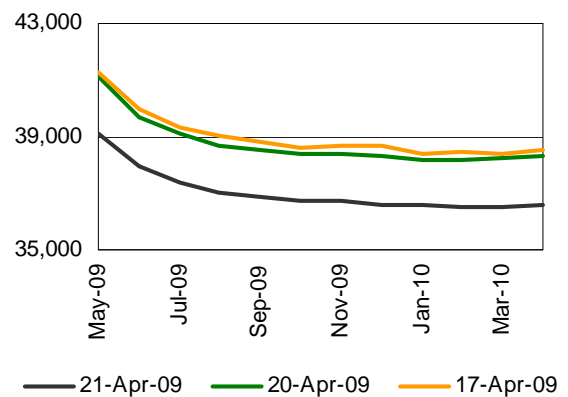
Focus: SHFE under pressure but....

The SHFE Copper price has come under pressure overnight following weakness in the LME price, general risk aversion and news reports that the SRB have been selling copper in the domestic spot market (see Base Metals section below).

The chart shows how the SHFE Copper forward curve has evolved over the past few day's trading. Interestingly, although prices have fallen sharply from the 20th April to the 21st, the backwardation has remained intact, albeit easing.

Should the SRB continue to sell material over the next few days, then we would expect the SHFE backwardation to ease further. This should help alleviate some of the panic amongst Chinese consumers, but may also see the SHFE-LME arbitrage narrow too.

SHFE forward curves (Cny/mt)



Source: Standard Bank

Base metals

Heavy liquidation swept across the Base metals on Monday as risk aversion, technical selling and negative sentiment all combined to take prices lower. Falling commodity prices actually led the equity markets lower initially, with miners and oil companies coming under pressure. However, a news story suggesting that the results from the US Fed's stress test were "very bad" finished the job. While there is still some uncertainty over the exact details and the veracity of the information, the story was enough to send the stock markets lower still and keep the downwards pressure on the metals.

The VIX index rose sharply on Monday, climbing over 15% and suggesting increased market fear. While partly a technical rally, some of the gains likely seem due to the stress test story. Although a gain in the VIX was not directly a cause of the general sell-off, a rising index nevertheless points to increasing uncertainty and helps to explain the subsequent urge by some aspects of the market to liquidate commodity exposure and to scale back risk. The dollar was one of the beneficiaries of the risk aversion with that also exacerbating the weakness seen in the metals complex.

Copper came under sustained pressure on Monday, with the metal closing near its intraday lows at \$4,595. That weakness has spilling over into Tuesday morning with SHFE Copper also trading limit down. Further declines in LME inventories - helped by a 6,150 mt jump in cancelled warrants in New Orleans - had limited impact on prices. That said Copper does appear to have stabilised and is trading sideways heading into the afternoon.

Press reports suggest that China's SRB has been selling around 20-50kt of Copper into the local spot market. The SRB is however still buying Copper on forward contracts, so is effectively lending the spread, but using physical metal to do it. This appears to be an additional factor weighing on Copper prices and has seen SHFE Copper trade limit down this morning. Regardless of the tonnages of metal involved, pretty small fry when considering the ~825 kt of refined imports into China during Q1, the key thing appears to be that the SRB is becoming much more dynamic and fleet footed than in the recent past. The implications of an active Chinese stockpile manager will mean yet another dynamic to consider in an already volatile market.

Even Tin came under pressure yesterday, albeit holding up much better on a relative basis. Tin has continued to hold on well this morning. **Aluminium is also holding on well compared to the rest of the metals,** bolstered by reports of lower production at UC Rusal, and various production cuts by the company.

Monday was rather light on economic data releases, however the US Leading Indicator for March was worse than expected, coming in at -0.3% rather compared to expectations of a 0.2% decline. Tuesday is also light on the economic front. Much better than expected German investor confidence - the ZEW index climbing to a two year high of 11.8, compared to expectations of 0.0 - has helped the euro to strengthen against the dollar, however there is little else of note due out this afternoon aside from the Bank of Canada's rate announcement and surrounding comments regarding potential quantitative easing measures.

Finally, the proposed new LME Molybdenum & Cobalt contract is likely to have its launch pushed back to Q1 2010 from late 2009 as originally planned.

By Leon Westgate

Precious metals

There is increased risk aversion today following yesterday's sell-off in global equities. The sell-off was accompanied by a sharp increase in volatility — as captured by the VIX index (which rose from 34 to 39.2). This saw gold push on to \$890, but investment appetite remains listless. However, a support base could be building around \$865. On the ETF front, the latest data reading indicates that gold holdings have risen by 48,060oz. This is being supplemented by the CFTC data from last week which indicated a rise of 2,780 contracts in gold net speculative long positions in the US. However, **gold would have to break above \$900 – \$904 before the market gets more bullish.**

PGM are trading lower as base metals, especially copper, have been under pressure since yesterday. The 10-day correlation between copper and platinum (as well as copper and palladium) is at 0.93. However, after the sharp move down in copper over the past two days, there might be some consolidation for the red metal today. This should also provide support for platinum and palladium. Platinum support is seen at \$1,150 and resistance at \$1,200.

The rhodium price has fixed at \$1,635 yesterday — substantially higher than the fix of \$1,120 at the beginning of April. 90% of rhodium demand comes from the auto sector which is still under severe pressure. We believe the rise in price is due to holders of the metal being less willing to sell rather than rising industrial demand.

While silver is benefiting from the higher gold price, the upside seems to be capped, with the more bearish sentiment for industrial metals. Support is at \$11.87 and \$11.65, with resistance at \$12.25 and \$12.40.

There will be few data releases today. However, we will keep a close eye on the ABC US consumer confidence index.

By Walter de Wet

Energy

Negative equity market sentiment and increased risk aversion depressed the energy complex yesterday. The index of US leading economic indicators for March also surprised on the downside, sliding 0.3% m/m, against market expectations for 0.2% m/m. Although this was an improvement from the steep 0.4% m/m decline in February, the data has raised concerns about US energy demand remaining sluggish. The front-month WTI crude oil contract was under pressure throughout the day, sliding from \$49.80/bbl in London to \$45.32/bbl in aftermarket NY electronic trade. The contract stabilized around the \$45/bbl level in Asian trade this morning, ahead of the release of the Eurozone ZEW index of economic growth expectations. Consensus is for an improvement in the index from -6.5 in March, to 0. Improved Eurozone growth expectations, combined with equity index futures pricing in gains for US equity markets later today, **should support energy market.**

Oil price technical signals are warning of an upside correction today. However, any technical recovery can only happen gradually, as speculation over gloomy US banks' stress test results has depressed energy market sentiment.

The US dollar remains a key downside risk factor for oil prices. Despite yesterday's disappointing US leading indicator, the greenback rallied from \$1.2986 to \$1.2889 in New York.

Thermal coal prices re-coupled with oil prices yesterday despite the 5-day rolling correlation coefficient between front-month WTI and API2(CIF ARA) suggesting otherwise. Front-month API2(CIF ARA) shed \$0.45/mt to \$66.80/mt whilst active-month API4 (FOB) slipped \$0.20/mt. Implied freight rates were also lower across the thermal coal forward curve — signaling softer global trade volumes. Price erosion was more severe at the back-end of the API4(FOB) coal forward curve. We believe this is a signal that most investors are reducing their medium- to long-term thermal coal demand recovery expectations. However, Chinese demand-growth should provide long-term support. According to China's Coal Industry Association, domestic coal demand is expected to exceed 3 billion tonnes a year.

Carbon emissions prices were also lower yesterday. In ICE EUAs, the contract for December 2009 delivery slipped EUR0.58/mtCO₂, to EUR13.18/mtCO₂. UN-backed CERs also slipped, with the contract for December 2009 shedding EUR0.06/mtCO₂, to EUR10.85/mtCO₂.

By Manqoba Madinane

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	3,650,000	3,660,025	3,750	13,775	-10,025	1,321,100	71,425	1.96	138,836
Copper	457,300	462,325	675	5,700	-5,025	117,525	72,375	15.83	104,069
Lead	63,425	61,275	2,175	25	2,150	18,275	2,650	4.18	28,223
Nickel	106,518	105,846	696	24	672	28,128	3,678	3.45	32,572
Tin	11,995	11,915	155	75	80	4,205	1,020	8.50	13,203
Zinc	343,175	345,400	400	2,625	-2,225	89,675	21,375	6.23	68,210

Shanghai 3-month forward prices				COMEX active month future prices					
Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)	
Aluminium	12,710	12,560	-400	Ali May'09	68	65.50	-2.00	-2.96%	
Copper	37,730	37,510	-1,830	Cu May'09	211	204.00	-6.50	-3.09%	
Zinc	12,980	12,885	-655						

ZAR metal prices (20 April 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,885	42,097	13,702	111,055	112,598	13,376	9.0805
3-month	13,320	42,473	13,495	111,845	111,845	13,754	9.2434

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)	58.17	-1.99	56.73	-4.02	57.32	-3.82	60.33	-3.44	66.60	-3.07
Gasoil 0.1% Rdam (\$/mt)	430.50	-0.50	437.00	-1.25	447.25	-26.75	475.00	-25.75	523.50	-23.50
NWE CIF jet (\$/mt)	473.61	-14.42	476.83	-27.50	485.98	-27.02	520.22	-25.83	574.39	-23.68
Singapore Kero (\$/bbl)	61.20	0.48	57.83	-4.37	58.92	-4.02	62.98	-3.54	69.75	-3.17
3.5% Rdam barges (\$/mt)	272.20	1.10	263.12	-15.06	265.46	-14.92	273.14	-14.18	293.04	-12.42
1% Fuel Oil FOB (\$/mt)	283.71	0.00	276.12	-16.31	282.21	-16.42	304.39	-16.68	335.54	-12.42
Sing FO 380 Cargo (\$/mt)	285.62	-13.06	283.71	-13.67	284.65	-13.37	290.76	-12.89	310.48	-12.39
Sing FO180 Cargo (\$/mt)	297.25	0.27	289.50	-13.06	288.75	-13.67	294.00	-12.93	310.48	-12.39
Thermal coal	Q2-09		Q3-09		Q4-09		Cal 10		Cal 11	
API2 (CIF ARA)	63.60	-1.42	65.20	-3.56	71.95	-3.23	83.50	-2.78	90.35	-2.60
API4 (FOB RBCT)	59.70	-1.83	60.45	-3.33	65.85	-3.08	74.90	-2.61	80.35	-3.35
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	12.85	-0.53	13.18	-0.58	13.83	-0.61	14.44	-0.60	15.32	-0.66
ICE - ECX CER (€/mt)	10.90	-0.01	10.85	-0.06	11.00	-0.04	11.20	-0.05	11.60	-0.15

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.58429	0.68286	0.78286	0.83000	0.89571		
Silver	0.06000	0.06714	0.07857	0.12857	0.20000		
USD Libor	0.44250	0.88094	1.10063	1.65000	1.94500		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	47.95	884.42	899.88	887.75	856.58	882.00	889.00
Silver	47.00	12.40	12.73	12.12	12.34	12.07	12.22
Platinum	55.80	1,201.83	1,169.30	1,009.16	1,105.18	1,147.00	1,167.00
Palladium	54.33	233.45	226.10	199.04	229.00	220.00	226.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Jun'09	May'09	Jun'09	Jul'09	Apr'09	Feb'10	Jun'09
Settlement	887.20	12.1250	223.50	1,167.10	886.80	2,813.00	887.30
Open Interest	338,707	95,543	14,902	20,505	1,722	89,070	3,714
Change in Open Interest	1,050	-618	25	247	0	2,243	79

Date: 20 April 2009

Sources: Standard Bank; LME; Bloomberg

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