Commodities

Commodities: Daily

Standard Bank

Focus: China's silver imports should cap upside for prices

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Focus: While higher Chinese silver imports may appear bullish, we believe that the imports will only add to domestic stockpiles for as long as fabrication demand in China remains lacklustre. And we believe that yesterday's Flash PMI manufacturing data for China is an indication that fabrication demand indeed remains lacklustre. Therefore, rising stockpiles in China may cap rallies in silver until industrial demand regains full strength.

- The base metals complex bounced back this morning after coming under pressure yesterday. The euro has stabilised a little, helping lend some support to the metals, as have firmer European equity markets. Thin volumes are again a feature of the base metals, however, with the market remaining rangebound and indecisive.
- Given that markets will be mainly focussed on tomorrow's FOMC announcement, we feel that today's US data flow (home sales, consumer confidence and Richmond Fed manufacturing) could spark some price reaction in precious metals as investors try and read into the numbers any hint at the possibility of further quantitative easing.
- Oil came under pressure again yesterday as the downbeat Eurozone PMI data pointed to continuous economic contraction in the Eurozone and the equity markets were spooked by the French presidential election. Nevertheless, Brent appeared to be saved by news of the North Sea production outage and alleged cyber attacks on Iran's oil ministry. Net for the day, Brent was only marginally lower than Friday's close, while WTI fell 77c/bbl.

Commodity price data (23 April 2012)

Base metals LME 3-month	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,075	2,059	2,080	2,050	-16	-0.77%	2,011.50	-23	-41.25
Copper	8,175	8,045	8,175	7,977	-130	-1.59%	8,125.00	5	90.00
Lead	2,112	2,070	2,123	2,062	-42	-1.98%	2,087.00	-13	-7.00
Nickel	17,770	17,550	17,800	17,500	-220	-1.24%	17,595.00	-155	-80.00
Tin	21,500	21,245	21,600	21,050	-255	-1.19%	21,065.00	-190	-73.00
Zinc	2,017	1,987	2,023	1,984	-30	-1.49%	1,985.50	-14	-12.75

Energy	Open	Close	High	Low	day/day	Change (%)
ICE Brent	118.75	118.27	118.90	118.10	-0.44	-0.37%
NYMEX WTI	103.11	103.09	103.29	102.79	-0.02	-0.02%
ICE Gasoil	999.50	995.75	1,000.00	994.00	6.00	0.60%
API2 Q2'12	-	-	-	-	-	-

Precious metals	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,638.75	1,629.00	1,643.00	1,624.00	1,631.70	-10.30	0.4/0.8
Silver	-	30.87	31.85	31.49	31.65	0.00	-4.0/-2.0
Platinum	1,556.00	1,553.00	1,580.00	1,553.00	1,555.00	-25.00	1.5/3.5
Palladium	672.00	666.00	676.00	666.00	669.00	-8.00	0.0/1.0

Sources: Standard Bank; LME; BBG

Focus: China's silver imports should cap upside for prices

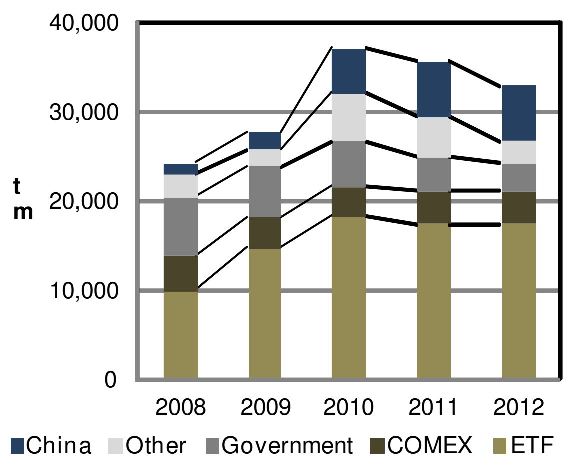
China published their silver import and export numbers for March yesterday. The data showed silver net imports of 179mt, up marginally from 171mt in February but much higher than the 27mt seen in December last year. While higher Chinese silver imports may appear bullish, we believe that the imports will only add to domestic stockpiles for as long as fabrication demand in China remains lacklustre. And we believe that yesterday's Flash PMI manufacturing data for China is an indication that fabrication demand indeed remains lacklustre. Therefore, rising stockpiles in China may cap rallies in silver until industrial demand regains full strength.

We believe that China's fabrication demand for silver (industrial, photography, jewellery, silverware) is set to grow 7.5% in 2012, to 4,940mt. At the same time, China's mine supply may grow by 7%, still leaving a supply gap of 1,443mt in 2012 (or 120mt per month). This implies that China can fill their supply gap by either importing metal or drawing down on existing stockpiles.

If stockpiles were low in China, rising net imports would have been bullish. But we believe that stockpiles are high. We estimate that since 2009, China has amassed stockpiles of around 15 months of fabrication demand, up from only 4 months at the start of 2009 (see our note *Silver upside remains in place but China needs to destock* first dated 16 Feb'12).

Because stockpiles were low in 2009, China had to import large amounts of metal which supported the price. In 2009, China imported 280mt per month on average. As stockpiles built, net imports declined to 186mt in 2010. YTD, net imports of silver were 162mt. With stockpiles high now, we believe that we need to see lower net imports from China rather than higher net imports, in order for domestic stockpiles to decline. Should that happen, it would increase the potential for better price support later in the year. Seasonally, China should import less silver in April to July before picking up again in August. This may put downward pressure on the price for the next few months and then add support closer to Q4:12.

Silver above-ground stock



Source: Standard Bank Research

Therefore, we believe that silver upside remains capped for now. In fact, we continue to believe that the metal should approach $29/oz. Should imports stay low for a few months and stock levels deplete, we believe that China will have to come back and restock. This, we believe could provide enough support for the metal to push prices above $35, towards $40, in Q4.

By Walter de Wet

Base metals

The base metals complex bounced back this morning after coming under pressure yesterday. The euro has stabilised a little, helping lend some support to the metals, as have firmer European equity markets. Thin volumes are again a feature of the base metals, however, with the market remaining rangebound and indecisive. US Consumer Confidence - expected at 69.7 from 70.2 - looks like the main data this afternoon, however, while this afternoon's US data may have some short-term impact on prices, it is tomorrow's Durable Goods and FOMC rate decision and statement that will have the biggest sway on overall sentiment and price activity.

After yesterday's cancelled warrant activity, LME copper inventories have been rather quiet with on-warrant stocks climbing 450 mt. The distribution of yesterday's copper warrant cancellations, and speculation as to the warehouse company involved, sparked another burst of activity on the rumour mill. Whatever the ultimate objective, the physical copper market remains moribund for the moment, with the dichotomy between the Chinese physical market and the apparent tightness in the LME forward curve becoming even more stark after yesterday's activity. Price-wise, copper has edged back up towards $8,100 ahead of US trade.

As far as LME stocks are concerned, the main activity this morning was seen in lead and zinc, with on-warrant stocks falling by 10,000 mt and 11,725 mt respectively. The lead was due to a 10,000 mt jump in cancelled warrants in Bilbao, while the Zinc was due mainly to warrant cancellations in Johor and Port Klang.

Aluminium 3m prices reached a low of $2,050 yesterday, the lowest point since the beginning of January. The metal continues to struggle, with prices running out of steam this morning after an initial bounce. While not new news as such, an article suggesting that there was more aluminium tied up in financing deals than in stock of beer cans and auto parts, has gained some traction this morning, putting the issue of the aluminium inventory overhang back into perspective and further dampening sentiment towards the metal. Aluminium volumes remain very thin, with daily turnover on LME Select still some 5% below the average levels seen last year.

By Leon Westgate

Precious metals

Gold managed to recover yesterday aided by a slight pull-back in dollar weakness. Buying out of Asia seemed to be the main impetus for the upward move, although momentum faded again overnight. The rest of the complex did not fair so well, with the double whammy of poor PMI readings from both China and Europe highlighting the white metals' sensitively to industrial demand (see our specific concerns for silver, highlighted in today's *Focus*).

This morning we've seen precious metals remaining relatively stable, with concerns over the Eurozone having eased somewhat (as evidenced by buoyant European equity markets and a relatively stable euro). We don't think this will last, as markets come to grips with the growing uncertainty, both politically and economically, in the region. Gold, however, could continue to benefit from shortcovering as we move towards the FOMC's decision (and more importantly Chairman Bernanke's press conference) and the COMEX option expiry tomorrow.

Given that markets will be mainly focussed on tomorrow's FOMC announcement, we feel that today's US data flow (home sales, consumer confidence and Richmond Fed manufacturing) could spark some reaction as investors try and read into the numbers any hint at the possibility of further quantitative easing.

Gold support is at $1,626 and $1,615. Resistance is $1,647 and $1,655. Silver support is at $30.30 and $29.77, resistance is at $31.54 and $32.25.

Platinum support is at $1,541 and $1,530, resistance is at $1,575 and $1,597. Palladium support is at $666 and resistance at $680.

By Marc Ground

Energy

Oil came under pressure again yesterday as the downbeat Eurozone PMI data pointed to continuous economic contraction in the Eurozone and the equity markets were spooked by the French presidential election. Nevertheless, Brent appeared to be saved by news of the North Sea production outage and alleged cyber attacks on Iran's oil ministry. Net for the day, Brent was only marginally lower than Friday's close, while WTI fell 77c/bbl. RBOB was the leader on the board after aggressive sell-offs in the past two weeks, following the news that BP Texas City refinery's cracker had to be brought down for repair. The unseasonable strength in middle-distillates persisted yesterday, which appeared to be driven by the European government replenishing the emergency reserves and large tenders form the Med and Africa.

While the geopolitical concerns over Iranian supply have drifted off the headlines, the market clearly remained overly concerned about supply disruptions. The persistent backwardation in Brent has deterred commercial inventory building in Europe during the past year. To get back to more stable oil prices, significantly more inventory building will have to take place. Although the Brent time spread has weakened substantially at the front-end, it is stuck in backwardation, which in turns gives no incentive for an inventory build.

Besides the upcoming second-round French presidential election, the market was also hugely concerned over the latest development in the Netherlands, where the PM resigned after failing to push through fiscal cuts. In the US, consumer confidence data and the Richmond Fed survey will be watched closely today, as the US data has been more mixed since March.

The Eurozone is back at the top of the investors' agenda and is likely to remain there for a while. As the Fed is holding the FOMC meeting this week, the market will clearly be hoping for further support from the Fed, possibly QE3. While refining margins are startlingly strong and refineries are returning from maintenance, crude supply continued to surpass demand, reflected by the contango structure in the dated Brent CFD market. Given the shift in the Brent structure, we have to maintain our bearish bias on oil market fundamentals. That said, the biggest upside risk will come from any dovish remarks from the Fed after its FOMC meeting this week. Therefore, we prefer expressing our bearish view via shorting time spreads and product cracks rather than aggressively shorting the flat price.

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	5,046,350	5,052,700	4,125	10,475	-6,350	75,950	1,671,525	33.12	165,507
Copper	256,875	258,850	450	2,425	-1,975	-114,025	101,150	39.38	181,399
Lead	367,375	368,400	0	1,025	-1,025	14,300	46,125	12.56	51,495
Nickel	99,798	99,630	276	108	168	9,750	3,672	3.68	31,421
Tin	13,875	13,810	65	0	65	1,685	1,275	9.19	6,461
Zinc	910,825	910,850	0	25	-25	89,125	30,825	3.38	92,156

Shanghai 3-month forward prices				COMEX active month future prices				
Metal	Open	Last	1d Change		Open	Close	Change	Change (%)
Aluminium	16,050	16,115	20	Ali May'12	-	-	-	-
Copper	57,410	57,530	-140	Cu May'12	363	366.55	3.15	0.87%
Zinc	15,460	15,475	-45					

ZAR metal prices	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,814	63,879	16,408	138,332	165,613	15,610	7.8620
3-month	16,403	64,091	16,491	139,814	169,250	15,830	7.9666

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 ($/bbbl)	132.66	-0.49	130.97	-1.63	131.04	-1.69	130.47	-1.59	-	-
Gasoil 0.1% Rdam ($/mt)	995.75	6.00	991.75	6.00	990.25	6.25	987.50	5.25	965.75	-11.25
NWE CIF jet ($/mt)	1,072.24	-3.72	1,058.72	-12.50	1,057.58	-12.50	1,058.27	-11.96	1,049.33	-11.08
Singapore Kero ($/bbl)	132.66	-0.49	131.40	-1.70	131.49	-1.72	131.51	-1.62	130.30	-1.58
3.5% Rdam barges ($/mt)	682.74	-1.26	674.25	-5.50	671.50	-6.00	661.00	-6.75	640.25	-7.25
1% Fuel Oil FOB ($/mt)	740.42	-4.26	723.50	-6.75	720.25	-7.50	710.75	-8.00		
Sing FO180 Cargo ($/mt)	728.39	-0.83	716.75	-4.50	712.50	-5.00	699.75	-5.75		

Thermal coal	Q2-12		Q3-12		Q4-12		Cal 13		Cal 14	
API2 (CIF ARA)	-	-	-	-	-	-	-	-	-	-
API4 (FOB RBCT)	-	-	-	-	-	-	-	-	-	-

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.35000	0.36500	0.38667	0.47500	0.56000		
Silver	0.51833	0.52000	0.52000	0.51667	0.48833		
USD Libor	0.23875	0.34675	0.46585	0.73040	1.04770		
Technical Indicators	**30-day RSI**	**10-day MA**	**20-day MA**	**100-day MA**	**200-day MA**	**Support**	**Resistance**
Gold	45.22	1,650.01	1,650.30	1,670.38	1,698.91	1,626.00	1,647.00
Silver	44.16	31.55	31.80	31.95	34.09	30.30	31.54
Platinum	42.93	1,578.75	1,600.33	1,577.68	1,630.75	1,541.00	1,575.00
Palladium	50.65	659.63	653.32	671.37	681.21	666.0	680.0
Active Month Future	**COMEX GLD Jun'12**	**COMEX SLV Jul'12**	**NYMEX PAL Jul'12**	**NYMEX PLAT Jul'12**	**DGCX GLD Jun'12**	**TOCOM GLD Feb'13**	**CBOT GLD Jun'12**
Settlement	1,638.80	30.9050	673.95	1,556.30	1,639.10	4,287.00	1,636.80
Open Interest	402,167	121,702	21,586	40,544	1,627	124,073	1,526
Change in Open Interest	2,514	1,248	184	148	19	-62	4

Sources: Standard Bank; LME; Bloomberg

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