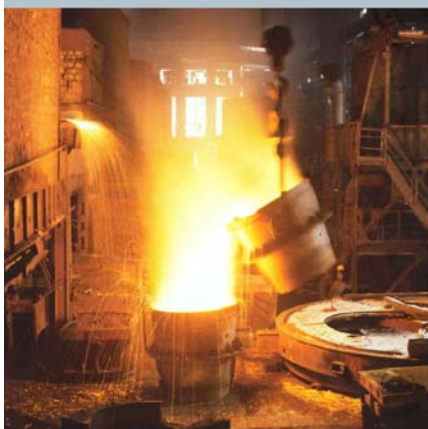


10 August 2009



**Focus: Speculative positions rising** We look at the sum of net long speculative of the major contracts traded in the US. After the substantial decline in speculative long positions late last year, we have seen the number of net long contracts rise again. The recent rise in speculative long positions signals a growing confidence that the commodity demand is recovering. However, we also believe it is a function of growing risk appetite in financial markets.

- After Friday's positive non-farm payrolls data, base metals are well bid despite a stronger US dollar against the euro.
- Aluminium continues to find support from both higher oil prices and positive sentiment towards base metals. The rally is made sustainable in what we believe to be a substantial tie-up in LME warehouse stock in financing deals
- Gold remains well bid despite the US dollar strengthening after Friday's US non-farm payroll data
- In the latest developments Eskom has made a revised offer to unions who has until Wednesday to consider. Of the three unions involved, one union already indicated Eskom's offer could be acceptable.
- If the US is recovering, combined with a Chinese economy which is growing around 8%, oil should see good support. The combined crude oil consumption of the US and China is equal to a third of global crude oil demand.

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**Commodity price data (7 August 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,990	2,023	2,017	1,995	30	1.51	1,972.00	-30	-31.25
Copper	5,971	6,155	6,182	6,053	125	2.08	5,964.00	-71	-9.00
Lead	1,838	1,905	1,903	1,880	-20	-1.08	1,815.50	-82	-16.25
Nickel	19,400	19,625	19,850	19,455	25	0.13	19,505.00	-570	-68.00
Tin	14,526	14,800	15,000	14,300	-174	-1.18	14,850.00	-850	224.00
Zinc	1,845	1,900	1,903	1,860	-1	-0.05	1,822.00	-51	-27.75

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	73.23	73.40	73.94	73.16	-0.19	-0.26%
NYMEX WTI	70.67	70.69	71.25	70.22	-0.24	-0.34%
ICE Gasoil	598.75	600.00	604.00	598.75	-7.50	-1.25%
API2 Q3'09	67.80	66.90	-	-	-0.90	-1.35%
ICE EUA Dec09	12.61	12.58	-	-	-25.19	-0.24%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	960.50	956.00	965.50	954.00	957.50	47.20	2/2.4
Silver	-	14.69	14.85	14.54	14.68	0.95	-3/-1
Platinum	1,237.00	1,260.00	1,265.00	1,246.00	1,258.00	128.00	1/4
Palladium	270.00	271.00	2,667.00	270.00	272.00	47.00	0/3

Source: Standard Bank, LME, BBG



## Focus: Speculative positions rising

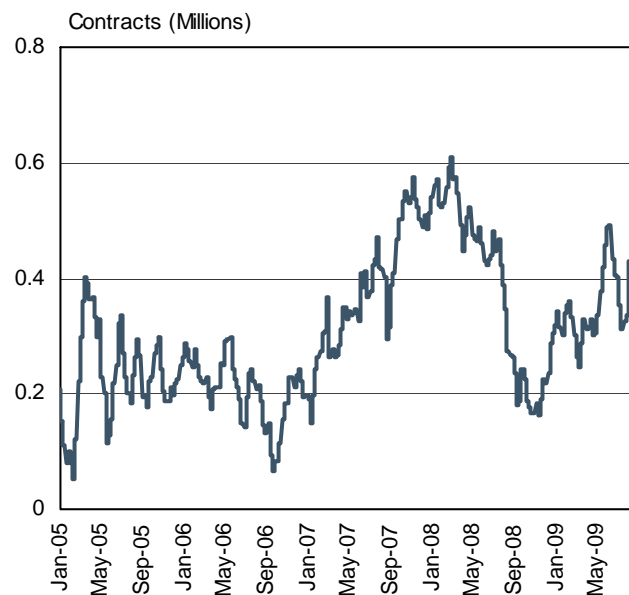
Energy, base and precious metals all have been well bid over the past few weeks. After Friday's good US non-farm payroll data there could be growing optimism on the outlook for global commodity demand.

We look at the sum of net long speculative positions of the major commodities contracts traded in the US. This includes the following contracts: WTI, copper, gold, platinum, palladium, silver, soy beans and wheat. After the substantial decline in the aggregate net long speculative positions late last year, we have seen the it rise rapidly again.

The sum of net long speculative contracts (for the commodities listed above) reached a low of 164,154 contracts in November last year. Then, after rising towards 492,431 contracts in June 2009, the net long position fell rapidly. This decline we believe has been on the back of short covering as commodity prices strengthened against expectations. However, since the start of Q3:09, we have seen a renewed build in the net long speculative positions as new money flowed towards commodities. The latest figures show the sum of net long speculative contracts at 428,917.

The recent rise in net long speculative positions signals a growing confidence that the commodity demand is recovering. However, we also believe it is a function of growing risk appetite in financial markets. While net long positions have been

## Sum of net long speculative position



Source: Standard Bank

building, it remains well below the 611,239 contracts reached in February 2008.

Growing long positions signals growing confidence, but it also signals the growing possibility of a correction should risk appetite wane.

**Walter de Wet**

## Base metals

After Friday's positive non-farm payrolls data, base metals are well bid despite a stronger US dollar against the euro. The dollar strength follows Friday's US payroll data. The market saw the data release, combined with more quantitative easing by the BoE and a seemingly unwillingness by the ECB to further stimulate the Euro-zone economy, as some confirmation that the US economy will recover faster than the European economy. This may provide some strength to the dollar.

This morning saw the release of Japanese machine orders which jump 9.7% m/m. Machine orders are a leading indicator and the large jump is positive. However, year-on-year machine order are still down 29.7%. On its own we would not assign to much weight to this data point but taken together with other economic indicators, it forms part of growing evidence that the economic downturn is past its deepest through.

After falling below \$6,000 briefly on Friday morning, copper is seeing good support above \$6,000 once again. There has been some follow through buying of copper in Shanghai this morning after the rebound in the metal price on Friday afternoon. The cash-3month contango in copper has widened slightly — toward \$9 on Friday (from a small backwardation at the beginning of last week) - suggesting easing in nearby tightness. There has been a decline of 850mt in LME warehouse stock today.

Aluminium continues to find support from both higher oil prices and the positive sentiment towards base metals. The rally is further supported by what we believe to be a substantial tie-up in LME warehouse stock in financing deals (this could be as high as 75% of visible stock). However, we also note that correlation between all base metals is very high at the moment and a correction in copper could also see aluminium lower.

Zinc has breached the \$1,900 level on Friday gaining almost 9% during the week. Along with copper, zinc has been the only other metal to see LME warehouse stock decline this morning (by 425mt).

While today is a quiet day on the macro economic front, tomorrow sees the release of Euro-zone industrial production. This will give us an updated view on commodity demand growth in Europe.

## Precious metals

Gold remains well bid despite the US dollar strengthening after Friday's US non-farm payroll data. Following the unwillingness by ECB to cut interest rates, and the continued QE by the BoE last week, the positive non-farm payroll data is seen as an indication that the US economy is likely to recover faster than the European economy. This may support the dollar against the euro.

The latest figures show that ETF's sold 141,495 oz of gold. This is not a substantial amount but still the largest amount in two weeks. However, in light of indications that investment funds could switch from gold ETF's to gold bars to reduce costs, all ETF selling might not be a complete divesting from gold. With gold between \$950 and \$960 physical players seem to prefer the side-lines waiting for the next break. Gold support is at \$950 and \$946, with resistance at \$962 and \$970.

On the PGM front all eyes remain on South Africa. In the latest developments Eskom has made a revised offer to unions who has until Wednesday to consider. Of the three unions involved, one union already indicated Eskom's offer could be acceptable. For the other two unions an important issue remains housing subsidies which has not been addressed fully in the latest offer. However, there it is a long weekend in South Africa so we expect little developments today. A strike by many union workers will be illegal. Our position is still one of no power disruptions at mines due to strikes by Eskom workers. Platinum might see some selling ahead of Thursday should it become clear unions will not strike.

Silver remains well bid above \$14.50 but continues to lack upward momentum to break above \$15.00. However, the positive US unemployment data on Friday could support metals with a large industrial demand component. We therefore still look to gold and copper for direction in silver. Silver support is at \$14.45 and \$14.30, with resistance at \$14.84 and \$15.00.

## Energy

If the US is recovering, combined with a Chinese economy which is growing around 8%, oil should see good support. The combined crude oil consumption of the US and China are equal to a third of global crude oil demand. The possibility of an ongoing US recovery was signaled by the better-than-expected US non-farm payroll data in Friday. While the data signaled 247K jobs were lost in July (against expectations of a loss of 325K) the fact remains the US economy is still shedding jobs. While non-farm payrolls have made a substantial recovery from the 660K jobs shed during March, the current level of US non-farm payrolls is now consistent with levels seen during recessions in the past 20 years.

The dollar has received some lost ground against the euro since Friday which may put downward pressure on crude oil. The 10-day correlation between WTI and the dollar/euro exchange rate is at 0.93. There are very little macro economic data out today and the crude market could be in for a day of dollar watching. We see support for WTI front month crude at \$69.75 and \$68.80, with resistance at \$72.20 and \$73.75. We would be looking for a narrowing of the WTI/Brent spread. The growing believe that the US economy is set to recover faster than the the Euro-zone economy may support WTI relative to Brent.

OPEC president, Mr de Vasconcelos, has indicated that OPEC is satisfied with current crude oil price levels — signaling further production cuts by OPEC are unlikely. We believe OPEC would continue to focus on compliance rather than more production cuts. At the higher oil price the incentive to produce more also rises.

Thermal coal prices remain stable on the back of higher crude oil prices. API2 coal for delivery in Q4:2009 closed slightly higher on Friday at \$73.50. API4 for delivery during the same quarter settled at \$68.15.

## 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	4,562,650	4,569,600	125	7,075	-6,950	2,233,750	145,250	3.18	259,282
Copper	292,125	284,375	9,050	1,300	7,750	-47,650	8,625	2.95	84,198
Lead	114,050	114,125	150	225	-75	68,900	650	0.57	16,432
Nickel	106,044	105,684	600	240	360	27,654	1,482	1.40	29,870
Tin	18,670	18,675	80	85	-5	10,880	360	1.93	7,620
Zinc	433,525	433,875	0	350	-350	180,025	6,575	1.52	56,900

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	15,000	15,210	170
Copper	47,500	48,200	1,180
Zinc	15,000	15,100	200

### COMEX active month future prices

Metal	Open	Close	Change	Change (%)	
Aluminium	Ali Aug'09	88	89.25	1.25	1.42%
Copper	Cu Aug'09	279	278.50	-0.05	-0.02%
Zinc					

### ZAR metal prices (7 Aug 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,047	48,532	14,774	158,722	120,842	14,827	8.1375
3-month	16,851	51,340	15,775	162,509	123,382	15,733	8.2807

## Energy

Energy futures pricing	Price Change		Price Change		Price Change		Price Change		Price Change	
	1-month forward	2-month forward	3-month forward	6-month forward	1-year forward					
Sing Gasoil (\$/bbl)	80.86	-1.02	81.57	-0.46	82.37	-0.44	85.30	-0.32		
Gasoil 0.1% Rdam (\$/mt)	600.00	-7.50	606.25	-7.50	613.50	-7.50	644.75	-2.75	681.75	-2.75
NWE CIF jet (\$/mt)	650.99	-4.66	659.69	-5.41	667.44	-5.25	699.00	-2.90	733.02	-9.92
Singapore Kero (\$/bbl)	80.18	-1.38	82.17	-0.56	83.37	-0.49	87.25	-0.32	91.86	-0.37
3.5% Rdam barges (\$/mt)	405.00	-10.26	404.49	-9.29	404.72	-8.02	409.69	-7.05	423.25	-6.03
1% Fuel Oil FOB (\$/mt)	423.75	-4.01	425.24	-4.79	427.47	-5.27	445.94	-6.30	468.25	-6.03
Sing FO 380 Cargo (\$/mt)	424.49	-9.79	424.22	-7.77	425.30	-7.56	430.75	-6.26	445.65	-5.06
Sing FO180 Cargo (\$/mt)	428.00	-9.51	426.49	-9.79	427.72	-8.02	433.69	-7.05	445.65	-5.06

Thermal coal	Q4:09	Q1:10	Q2:10	Cal 11	Cal 12
API2 (CIF ARA)	73.50	79.50	84.30	101.62	107.85
API4 (FOB RBCT)	68.15	73.00	76.05	91.11	97.10

Carbon	Spot	Dec-09	Dec-10	Dec-11	Dec-12					
ICE - ECX EUA (€/mt)	14.50	0.23	14.60	0.25	15.05	0.25	15.80	0.25	16.95	0.30
ICE - ECX CER (€/mt)	12.80	0.23	12.80	0.20	12.63	0.23	12.60	0.25	13.00	0.30

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.38000	0.40000	0.45429	0.54286	0.70571
Silver	0.50143	0.50143	0.54000	0.57857	0.65286
USD Libor	0.27563	0.32313	0.46125	0.90750	1.51000

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	54.35	951.72	947.99	927.58	894.48	950	960.00
Silver	56.83	14.19	13.87	13.70	12.63	14.52	14.82
Platinum	57.44	1,235.45	1,205.66	1,176.51	1,059.56	1,240.00	1,260.00
Palladium	61.48	268.43	260.86	239.84	217.46	272.00	280.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGX GLD	TOCOM GLD	CBOT GLD
	Dec'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	957.10	14.6250	275.05	1,268.50	955.70	2,993.00	957.40
Open Interest	396,438	100,297	19,964	23,319	774	89,649	3,280
Change in Open Interest	-54,977	-10,820	-5,622	-2,809	-33	-7,529	298

Date: 7 August 2009

Sources: Standard Bank; LME; Bloomberg

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