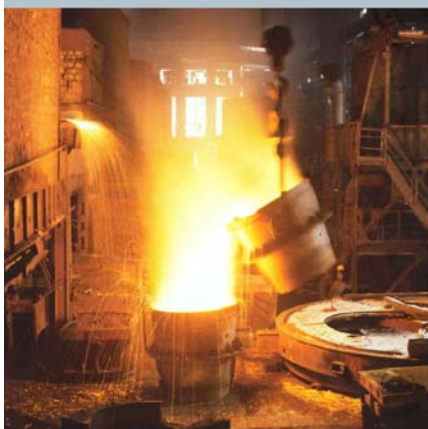


14 August 2009



**Focus: US business inventories not building** French and German GDP data, which has been interpreted as bullish, outweighed the negative retail figures out of the US, and stole the limelight yesterday. However, the latest developments in US business inventories appear to have gone beneath the radar. US businesses inventories continue to fall: in June, a 1.1% m/m decline. If one believes the current recession is worse than anything in the past 40 years, we still have a few months of re-stocking left. Note that after the 15 months of de-stocking by US businesses in 2001, there was a period of massive commodity demand.

- Base metals remained well supported overnight following economic growth data from France and Germany. However, physical demand in China has so far be very limited, with copper around \$6,400. There are also growing concerns about possible build-up of copper stock in bonded warehouses and trader locations
- Platinum and palladium traded higher yesterday. The market expected the deal that was reached between unions and Eskom yesterday; this has averted power cuts in South Africa. For PGM the focus will now shift to how successful the second leg of the “cash-for-clunkers” programme in the US.
- We expect a range-bound day ahead of US industrial production and University of Michigan consumer confidence data. The market will also look at US CPI data for any growing inflationary pressures, which could assist crude oil prices.

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**Commodity price data (13 August 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,078	2,060	2,092	1,978	75	3.78	2,035.00	143	-32.75
Copper	6,415	6,381	6,450	6,185	205	3.31	6,419.00	390	2.00
Lead	1,907	1,940	1,940	1,860	85	4.59	1,886.50	112	-17.50
Nickel	21,200	20,605	21,325	19,700	955	4.86	21,070.00	1,800	-72.00
Tin	15,000	15,140	15,325	14,975	300	2.02	15,650.00	740	467.00
Zinc	1,920	1,910	1,948	1,870	59	3.19	1,897.50	113	-26.75

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	74.28	73.64	74.28	73.64	0.16	0.22%
NYMEX WTI	70.90	70.84	71.60	70.65	0.32	0.45%
ICE Gasoil	610.00	608.25	611.00	607.00	0.25	0.04%
API2 Q3'09	72.80	73.25	-	-	0.45	0.61%
ICE EUA Dec09	14.37	14.34	-	-	-0.03	-0.21%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	956.00	953.50	960.50	949.75	955.00	4.50	1.7/2.1
Silver	-	15.06	15.05	14.57	15.00	0.40	-3.0/-1.0
Platinum	1,260.00	1,264.00	1,269.00	1,246.00	1,265.00	27.00	1/4
Palladium	274.00	275.00	278.00	274.00	275.00	5.00	0/3

Sources: Standard Bank; LME; BBG

## Focus: US business not building inventories

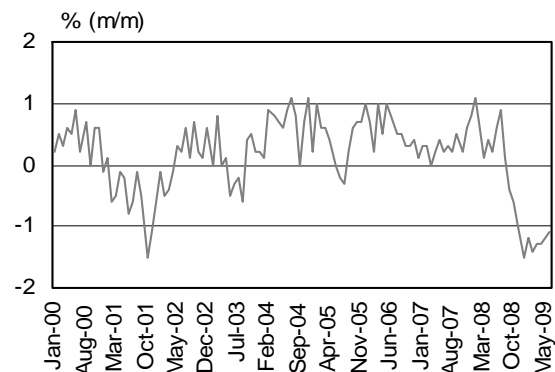
French and German GDP data, which has been interpreted as bullish, outweighed the negative retail figures out of the US, and stole the limelight yesterday.

However, **the latest developments in US business inventories appear to have gone beneath the radar.** US businesses inventories continue to fall: in June, a 1.1% m/m decline. The last time inventories rose m/m was in August 2008.

Much of the latest price support for many commodities has been justified by the growing need for the US to re-stock. And, given the pace of de-stocking, there is a case to be made. However, despite fiscal stimulus, **there is little incentive for US businesses to restock aggressively.** In the US, wages remain under pressure, retail sales too, as does employment — i.e. demand remains under pressure.

When will re-stocking start? De-stocking in the US since the early 70's shows that the longest period of de-stocking in the US was in 2001 (15 months of continuous de-stocking). The average period of de-stocking is 8.5 months during downturns. So far during this recession, we've had 10 months of de-stocking. **If one believes the current recession is worse than anything in the past 40 years, we still have a few months of**

## Change in US business inventories



Source: US Dept of Commerce

### re-stocking left.

Therefore, re-stocking of many commodities by US businesses could still be a few months away, raising the risk of a correction in commodity prices, should China also stop stockpiling (as market rumours would suggest). **Note that after the 15 months of de-stocking by US businesses in 2001, there was a period of massive commodity demand.**

Walter de Wet

## Base metals

**Base metals remained well supported overnight** following economic growth data from France and Germany. Positive sentiment remains in place despite weak retail sales data out of the US. Base metals prices are also being assisted by the weaker dollar. Because of the positive growth figures from the Eurozone's two largest economies (despite less monetary stimulus by the ECB than what we have seen in the US and UK) the euro is also finding good support against the dollar.

But there appears to be little appetite to push metals much higher today. The whole complex rallied strongly yesterday, and as we head into a data-heavy day in the US as well as a weekend, prices could remain range-bound.

In Shanghai, copper opened strongly, which pushed LME copper to a high of \$6,480. But there has been some profit-taking at these levels, pushing the metal back to \$6,400. **Physical demand in China has so far be very limited, with copper around \$6,400. There are also growing concerns about possible build-up of copper stock in bonded warehouses and trader locations,** which may see more Chinese delivery of copper into LME warehouses. Copper stocks rose by 12,673mt to 76,107mt this week in Shanghai. LME stocks rose 300mt this morning. However, the possibility of a strike at Escondida in Chile is providing support in the face of rising copper stocks this morning.

Aluminium is on the rise again as equities and oil push higher. While the metal is finding good resistance at \$2,080, should oil continue to rise today, the metal could test \$2,100. The metal has a 10-day correlation between aluminium and Brent crude is back at 0.83. So far equities in Europe is higher, and the futures market indicates the same for the S&P later today.

Nickel remains in the \$21,000 region. The main drivers remain the strike at Sudbury and Voisey's Bay as well as the general positive sentiment towards the complex as a whole. Indications at this stage are that strike action will continue into next week. This should provide good support to the metal in the interim.

Zinc and lead are trading around the same levels as yesterday. We would look to copper for direction for both metals today.

Walter de Wet

## Precious metals

Platinum and palladium traded higher yesterday. The market expected the deal that was reached between unions and Eskom yesterday; this has averted power cuts in South Africa. **For PGM the focus will now shift to how successful the second leg of the “cash-for-clunkers” programme in the US.** While car makers have already increased production as a result of the programme, the sustainability of car sales, once the program ends, could see a more “just-in-time” spot PGM buying rather than stockpile to metal or lock in long-term contracts. We have seen some a rise in sponge buying recently for especially palladium which could indicate higher demand from auto makers. Platinum support is at \$1,245 and resistance at \$1,280. Palladium is testing a strong resistance zone between \$280-\$283. Support for the metal is at \$270.

This morning, the gold market is quiet. While Eurozone inflation this morning has once again confirmed that current inflationary pressures remain non-existent, the market will be focusing on CPI figures in the US later today. Expectations are that inflation will remain subdued in the US for now. However, we will also look at the US industrial production growth figures to see whether demand from the industrial sector is improving. Should growth figures show a marked improvement inflationary expectations may also climb faster. **Gold is finding very good resistance at \$960.** A break above this level could see the metal test \$972. Support is at \$952.

Silver has broken above \$15.00 earlier this morning. We expect the metal to remain stable on the back of good support for base metals. Silver support is at \$15.70 and \$14.30, with resistance at \$15.25 and \$15.50.

Walter de Wet

## Energy

After better-than-expected Eurozone GDP data fueled optimism yesterday, and crude oil prices rose 2.66%.

After encountering resistance at \$71.60/bbl in early Asian trade, front-month WTI crude oil slid to \$70.60/bbl in electronic trade ahead of the European session.

**We expect a range-bound day ahead of US industrial production and University of Michigan consumer confidence data.** The market will also look at US CPI data for any growing inflationary pressures, which could assist crude oil prices. The greenback has regained some lost ground this morning, from \$1.4305 to \$1.4253.

Front-month ICE Brent crude oil plummeted from \$74.29/bbl to \$73.64/bbl in Asian trade this morning before drifting sideways in early European trade. We note that after economic data revealed French GDP climbed 0.3% q/q in Q2:09 yesterday, the country's non-farm payrolls fell 0.5% q/q — less than market expectations for a 0.8% q/q contraction. This could support front-month ICE Brent crude throughout European trade. However, with the WTI/Brent differential at -\$2.89/bbl this morning, US implied crude oil import demand remains weak. N.W.E spot Jet fuel tracked front-month ICE Brent lower this morning, falling from \$644/mt to \$638/mt in early European trade.

Thermal coal contract prices firmed yesterday amid higher crude oil prices during the London session yesterday. API2(CIF ARA) for Q4:09 delivery climbed \$0.45/mt, to \$73.25/mt. API4(FOB) for Q4:09 gained \$0.30/mt, to \$67.60. China Coal Energy Co.'s coal production climbed 33.5% y/y in July amid a 38.5% y/y surge in coal sales in July — signaling increased domestic Chinese energy demand, which could see thermal coal contract prices remain well supported today. According to the Chinese Electricity Council, China's power consumption climbed 6% y/y in July — boding well for thermal coal contract prices.

Carbon emissions contracts were steady yesterday despite better-than-expected German and French GDP yesterday. ICE EUA for December 2009 delivery shed EUR0.03/mtCO<sub>2</sub>, to EUR14.34/mtCO<sub>2</sub>. Active-year UN-backed CER was unchanged, at EUR12.68/mtCO<sub>2</sub>.

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	4,556,675	4,561,925	1,450	6,700	-5,250	2,227,775	163,200	3.58	176,154
Copper	292,875	291,975	2,675	1,775	900	-46,900	7,325	2.50	111,772
Lead	115,800	114,700	1,100	-	1,100	70,650	75	0.06	25,342
Nickel	108,156	107,826	486	156	330	29,766	1,566	1.45	39,449
Tin	19,240	19,110	150	20	130	11,450	830	4.31	14,060
Zinc	432,200	432,225	-	25	-25	178,700	6,400	1.48	61,670

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	15,400	15,290	15
Copper	50,800	50,310	450
Zinc	15,300	15,135	-130

### COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Aug'09	88	91.00	3.50	4.00%
Cu Aug'09	293	293.35	0.45	0.15%

### ZAR metal prices (13 Aug 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,239	51,224	15,054	168,139	124,887	15,142	7.9800
3-month	16,728	51,816	15,754	167,321	122,943	15,510	8.1204

## 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)	79.86	0.86	80.81	0.44	81.58	0.41	84.33	0.35	-	-
Gasoil 0.1% Rdam (\$/mt)	605.75	-2.25	612.25	-2.75	619.25	-2.75	644.75	2.50	681.25	2.75
NWE CIF jet (\$/mt)	639.27	-0.49	650.27	2.25	657.77	2.58	690.23	3.58	728.36	3.00
Singapore Kero (\$/bbl)	79.26	0.75	81.31	0.54	82.43	0.46	86.08	0.55	91.11	0.36
3.5% Rdam barges (\$/mt)	419.60	3.72	413.55	0.04	412.75	-0.05	415.50	0.01	427.60	-0.28
1% Fuel Oil FOB (\$/mt)	436.20	5.26	434.30	2.29	436.75	1.95	451.00	1.26	472.35	0.22
Sing FO 380 Cargo (\$/mt)	433.05	-0.96	432.25	-0.30	432.23	-0.77	435.59	-0.72	448.75	-0.17
Sing FO180 Cargo (\$/mt)	439.93	6.30	435.80	-0.46	435.75	-0.30	439.00	-0.99	448.75	-0.17

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	73.25	0.45	94.25	0.75	86.90	0.75	101.75	0.70	107.90	0.70
API4 (FOB RBCT)	67.60	0.30	83.75	0.75	77.90	0.50	91.00	0.45	96.90	0.85

Carbon	Spot	Dec-09		Dec-10		Dec-11		Dec-12		
ICE - ECX EUA (€/mt)	14.23	-0.04	14.34	-0.03	14.73	-0.04	15.42	-0.05	16.52	-0.05
ICE - ECX CER (€/mt)	12.65	-0.03	12.68	0.00	12.49	0.00	12.50	-0.03	12.86	-0.02

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.45857	0.48714	0.50571	0.58857	0.76000
Silver	0.53286	0.53286	0.57143	0.58571	0.63429
USD Libor	0.27281	0.31500	0.44000	0.85125	1.41875

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	53.95	956.68	951.80	928.96	898.35	946.00	965.00
Silver	58.83	14.66	14.19	13.75	12.71	14.66	15.32
Platinum	58.48	1,259.45	1,223.95	1,181.38	1,067.70	1,245.00	1,289.00
Palladium	60.46	275.84	267.45	242.46	218.51	271.00	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	958.90	15,0950	278.00	1,272.70	957.40	2,936.00	959.30
Open Interest	386,543	105,328	20,234	24,240	963	85,829	3,273
Change in Open Interest	1,541	538	-89	-24	-19	180	-94

Date: 13 August 2009

Sources: Standard Bank; LME; Bloomberg

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