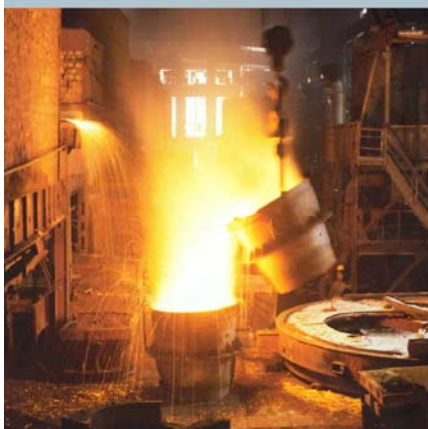


25 August 2009



Focus: Chinese Copper Imports - Scrap Bottleneck Clears The latest Chinese customs data show a sharp decline in net refined copper imports in July. This is understandable and is primarily linked to the lack of significant SHFE-LME arbitrage opportunities over the past couple of months. However, a sharp increase in scrap availability has also been an important factor and appears to show the customs bottleneck has now cleared.

- US consumer confidence has rebounded since February, and it could rise again today. However, confidence remains very low compared historical levels. Should the confidence data shows decline, demand for US Treasuries might rise, which would support the dollar and put gold under pressure.
- Workers at Impala Platinum is striking. However, we believe the strike action should have little impact on prices.
- The energy complex has come under strain this morning amid a slump in Asian equity markets as China's Shanghai composite closed down 2.59% while the Nikkei slipped 0.79% on concerns about tighter Chinese lending standards. Increased investor risk aversion saw the greenback climb from \$1,4344 in NY trade yesterday, to \$1.4270 in Asian trade this morning. This is weighing on the commodity complex.
- The base metals have come under pressure overnight, due to weaker Asian equity markets, however a steady dollar has helped prices to stabilise.

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Commodity price data (24 August 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,921	1,930	1,965	1,890	-3	-0.16	1,881.00	-27	-34.00
Copper	6,370	6,430	6,433	6,291	148	2.36	6,361.00	226	-4.50
Lead	1,965	2,027	2,025	1,870	162	8.70	1,945.50	101	-18.00
Nickel	19,800	19,605	20,239	19,216	300	1.55	19,695.00	170	12.00
Tin	14,300	14,250	14,500	13,925	75	0.52	14,825.00	425	392.00
Zinc	1,870	1,856	1,903	1,824	22	1.20	1,840.00	32	-27.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	73.95	73.82	74.02	73.69	-0.44	-0.60%
NYMEX WTI	73.97	74.22	74.13	73.67	-0.40	-0.54%
ICE Gasoil	608.00	607.00	608.50	607.00	-3.50	-0.58%
API2 Q3'09	73.85	73.40	-	-	-0.45	-0.61%
ICE EUA Dec09	15.34	15.30	-	-	-0.04	-0.26%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	953.75	951.50	956.00	936.00	943.00	-9.50	1.1/0.50
Silver	-	14.17	14.46	14.12	14.22	0.06	-3.0/-1.0
Platinum	1,251.00	1,244.00	1,259.00	1,241.00	1,240.00	-10.00	1/4
Palladium	283.00	282.00	284.00	282.00	281.00	0.00	0/3

Sources: Standard Bank; LME; BBG

Focus: Chinese Copper Imports - scrap bottleneck clears

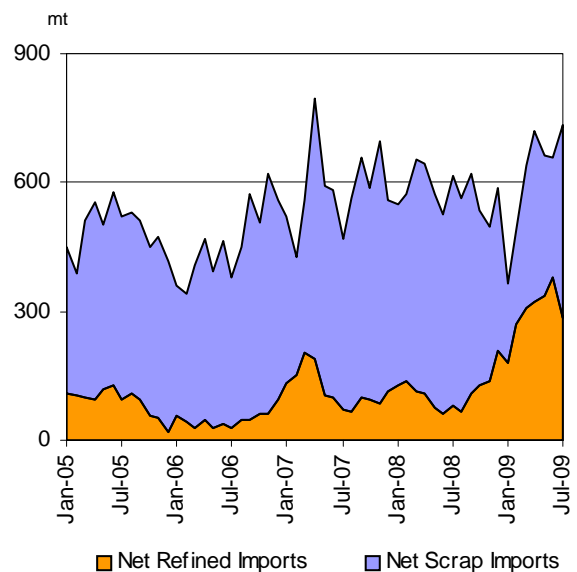
The latest Chinese customs data show a sharp decline in net refined copper imports in July. This is understandable and is primarily linked to the lack of significant SHFE-LME arbitrage opportunities over the past couple of months. However, a sharp increase in scrap availability has also been an important factor and appears to show the customs bottleneck has now cleared.

After reaching a record in June, net refined copper imports declined 24% m-o-m in July to 285.4kt. Scrap imports have increased substantially during the same period however, climbing 60% m-o-m to 448.3 kt. Total imports of refined copper and scrap were therefore actually higher in July than in June, climbing 11.4% m-o-m to 733.7 kt (see chart).

The sharp increase in scrap imports in July appears to be due primarily to Chinese customs normalising its treatment of copper scrap after a period of tougher inspections, rather than purely a function of higher prices. The averaging out of scrap imports for June and July gives a monthly figure of ~364 kt, broadly consistent with the average level for March through May of 352 kt.

The normalisation of the flow of scrap through Chinese customs should see premiums for copper cathode in parts of China ease. However, the hike in copper prices over the past

Chinese Net Imports of Refined and Scrap Copper



Source: Standard Bank, Chinese Customs, MBR

few months has yet to lead to a significant increase in scrap availability generally, suggesting Chinese demand for cathode, as a proportion of total imports, will likely remain robust.

Leon Westgate

Base metals

Weaker Chinese equity markets - on the back of renewed concerns over capital adequacy requirements for banks - put the base metals under pressure overnight, with that weakness continuing into Tuesday morning. The dollar-euro rate has remained relatively steady, lending a bit of stability to the base metals complex and leaving technical signals in charge of short term price direction for the time being.

This afternoon sees the release of the US Consumer Confidence numbers for August (expected at 47.6 vs 46.6) and the US House Price Index. In the absence of any other signals, the data may impact on prices if significantly out of line with expectations. The big day, data wise, however is Wednesday with the release of the US Durable Goods Orders for July and the US New Home sales figures.

Lead was the main story on Monday finishing the day 8.8% higher. The move came in two bursts, the first during the morning in the wake of the news that Henan province was shutting ~240 kt of capacity. The second burst came during the pm kerb where short covering and fresh buying saw the metal finish on its highs. Turnover was pretty good with well over 3,300 lots trading on LME Select. This morning has seen lead prices drift back below the \$2,000 mark, however the prices remain relatively firm. Meanwhile, Metal Bulletin has reported that, Henan Yuguang Gold and Lead Co. - China's largest lead smelter - has shut 60-70 ktpy of its 300 ktpy capacity for environmental evaluation, following incidents of lead poisoning elsewhere in the country.

Aluminium was the odd metal out on Monday, ignoring the bullish trend elsewhere in the complex and a decline in LME inventories to finish the day largely unchanged. Prices have since come under pressure during Tuesday morning, dropping below \$1,900, albeit on relatively subdued turnover.

Copper finished Monday strongly as a flurry of buying activity emerged late on to see the metal finish the day on its highs. Prices have since dropped back towards \$6,300 heading into Tuesday afternoon after coming under pressure during Asian trading. Elsewhere, tin has fallen back towards the \$14,000 level during Tuesday morning, in spite of a report by Metal Bulletin, that a crackdown on illegal mining by the Indonesian police may reduce monthly production from the country by as much as 50%.

Leon Westgate

Precious metals

There was good physical selling yesterday, with large volumes pushing the gold price lower in New York. But already we have seen some buying interest return with gold below \$945. However, there are two data releases to look out for in the US which could be key for gold today: *US house prices*, and *consumer confidence data*. **These data are interrelated and important to the health of the US economy.**

The Case-Shiller 20-city house price index has fallen by 17.6% y/y in May. The market expects a decline of 16.40% in June. The decline in prices should improve because of base effects in the data, so the market might look better towards year-end. But the fact that house prices are expected to be down 16.4% y/y in June is having a massive wealth-effect on US consumers and consumer confidence.

US consumer confidence has rebounded since February, and it could rise again today. However, confidence remains very low compared historical levels. In June, the index reading was 46.60, and the market expects 47.9 today. **But consumer confidence is still much less than the readings of well above 100 for the most part of 2007. Despite the recent recovery in confidence it is still at the lowest level since 1974.** Should the confidence data shows decline, demand for US Treasuries might rise, which would support the dollar and put gold under pressure.

Another event to look out for tomorrow is the gold options expiry on COMEX. While there seems to be no significant strikes in gold, there are 2,600 call contracts with a strike at \$975. There are also 1,700 call contracts with strikes at \$950. The \$950 level could be something the market push towards ahead of tomorrow's close. We see support for gold at \$938 – \$940 and \$930, with resistance at \$956 and \$965.

Silver is slightly higher, holding its own above \$14.00. Copper is trading lower this morning. The metal could see decent selling should the US data be negative. Silver support is at \$14.00 and \$13.85, with resistance at \$14.40 and \$14.64.

Palladium is holding above \$280 despite platinum's drop to \$1,240 yesterday. **Workers at Impala Platinum is striking. However, we believe the strike action should have little impact on prices.** Platinum support is at \$1,230 and resistance at \$1,255. Palladium support is at \$280 and resistance at \$286.

Walter de Wet

Energy

The energy complex has come under strain this morning amid a slump in Asian equity markets as China's Shanghai composite closed down 2.59% while the Nikkei slipped 0.79% on concerns about tighter Chinese lending standards. Increased investor risk aversion saw the greenback climb from \$1,4344 in NY trade yesterday, to \$1.4270 in Asian trade this morning. **This is weighing on the commodity complex.**

After encountering resistance at \$74.80/bbl in NY, front-month WTI crude oil has fell to \$73.68/bbl in electronic trade during the Asian trading session this morning. With no major European economic data expected today, crude oil investors could look for clues in equity markets ahead of NY trade where US consumer confidence and Richmond Fed Manufacturing index data could guide crude oil sentiment.

Rising US distillate fuel inventories, amid weak industrial crude oil demand, have seen the country's spare refining capacity climb to a record 2.93 million barrels — the highest level since 1989.

N.W.E jet fuel plummeted from \$643/mt in electronic trade in the Asian session to \$637/mt in early European trade this morning after front-month ICE Brent crude oil fell from \$74.02/bbl to \$73.30/bbl. British Airways announced expectations for a GBP1 billion loss in sales.

Front-end FOB thermal coal contract prices benefited from signs of increased Asian thermal coal demand amid a 35% w/w increase in export tonnage At Australia's Newcastle coal terminal, with the shipping queue at the port climbing 13.64% w/w to 50 vessels. This saw API4(FOB) for Q4:09 delivery climb \$1.00/mt to \$67.75/mt; API2(CIF ARA) for Q4:09 contracted \$0.45/mt to \$73.40/bbl as the Baltic Dry index shed another 1.3% yesterday. Coal inventories at China's Qinghuangdao coal terminal climbed 12.3% w/w, to 5.45 million tonnes, equivalent to 17 days' domestic consumption. Although this signals Chinese thermal coal demand weakness, thermal coal contract prices could benefit from Chinese arbitrage buying due to a wider 22.5% Qinghuangdao — Newcastle premium after Newcastle contract prices fell 3% w/w.

Lower German base load power prices saw ICE carbon emissions contract prices drift lower yesterday. ICE EUA for December 2009 delivery shed EUR0.04/mtCO₂, to EUR15.30/mtCO₂. Active-year CER was steady, at EUR13.38/mtCO₂.

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	4,616,500	4,620,075	3,900	7,475	-3,575	2,287,600	141,800	3.07	121,034
Copper	296,600	292,725	4,175	300	3,875	-43,175	9,425	3.18	122,991
Lead	119,000	118,925	75	-	75	73,850	1,075	0.90	31,521
Nickel	109,980	110,028	552	600	-48	31,590	2,022	1.84	29,603
Tin	19,675	19,500	210	35	175	11,885	815	4.14	7,636
Zinc	433,350	433,425	25	100	-75	179,850	8,725	2.01	37,596

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,000	14,990	-175	Ali Aug'09	87	87.50	0.50	0.57%
Copper	49,330	49,440	120	Cu Aug'09	293	289.60	-3.45	-1.18%
Zinc	15,300	15,240	-170					

ZAR metal prices (24 Aug 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,604	49,387	15,105	152,912	115,101	14,286	7.7640
3-month	15,244	50,788	16,010	154,852	112,555	14,660	7.8986

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)	79.39	0.35	81.26	0.90	81.77	1.01	84.13	0.89	-	-
Gasoil 0.1% Rdam (\$/mt)	607.00	-3.50	612.75	-3.50	619.00	-3.00	641.50	6.25	677.00	6.00
NWE CIF jet (\$/mt)	636.66	2.60	651.92	7.24	659.67	5.99	690.78	6.90	734.69	5.92
Singapore Kero (\$/bbl)	79.14	0.42	81.81	1.10	82.87	1.11	85.98	0.89	91.06	0.96
3.5% Rdam barges (\$/mt)	419.38	0.14	425.20	1.18	422.57	0.33	423.30	0.62	432.55	0.18
1% Fuel Oil FOB (\$/mt)	437.30	0.86	444.95	2.93	446.07	2.08	459.05	0.62	477.30	0.93
Sing FO 380 Cargo (\$/mt)	443.20	1.43	443.07	0.83	442.13	0.42	443.79	0.50	451.32	-0.32
Sing FO180 Cargo (\$/mt)	438.00	0.99	445.70	1.18	446.32	0.83	447.55	0.12	451.32	-0.32

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	73.40	-0.45	90.20	-1.60	84.30	-1.15	98.45	-1.25	104.70	-1.25
API4 (FOB RBCT)	67.75	1.00	81.50	-0.15	76.55	0.10	89.50	0.05	95.25	0.05
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	15.23	-0.02	15.30	-0.04	15.70	-0.03	16.35	-0.06	17.43	-0.05
ICE - ECX CER (€/mt)	13.41	-0.05	13.38	0.02	13.16	0.01	13.15	0.03	13.50	0.05

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.32429	0.35429	0.38286	0.47857	0.66143		
Silver	0.51143	0.51143	0.55000	0.56429	0.61857		
USD Libor	0.26438	0.29688	0.38688	0.79625	1.38375		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.09	946.41	949.16	931.78	905.68	937.00	955.00
Silver	51.36	14.28	14.28	13.84	12.87	14.00	14.41
Platinum	54.61	1,243.24	1,240.88	1,187.76	1,081.95	1,231.00	1,260.00
Palladium	61.70	276.29	273.69	246.33	220.58	279.00	287.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	947.20	14.1950	285.30	1,248.10	946.00	2,871.00	947.60
Open Interest	384,272	102,133	20,597	26,600	918	86,255	3,032
Change in Open Interest	12,501	913	504	296	0	-422	76

Date: 24 August 2009

Sources: Standard Bank; LME; Bloomberg

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