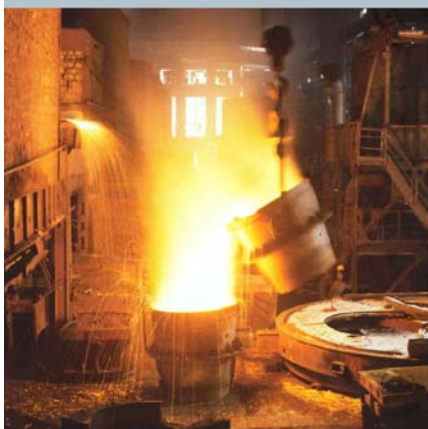


27 August 2009



Focus: Atlantic Basin spread positive again After trading at a discount to ICE Brent crude oil since 7 July, the front-month WTI/Brent differential has leaped back into positive territory — rising from -\$4.9/bbl to \$0.23/bbl on Tuesday. This could signal a tightening US crude oil and products demand/supply balance. We favour a \$69.50/bbl – \$76/bbl trading range in the current macroeconomic climate.

- Currency markets were main factor behind falls in metal prices during Wednesday afternoon. Sterling was sold off heavily vs. the dollar, which eventually dragged the euro lower with it. The stronger dollar weighed on commodities generally with all the metals finishing the day lower, in spite of much better than expected economic data.
- Gold, silver, platinum and palladium remain range-bound. The bond market is bearish on the economy, while the equity market is bullish. However, both can't be right. Precious metals are caught in a battle between bonds and equities.
- After climbing to \$71.60/bbl in New York aftermarket trade yesterday, front-month WTI crude slipped to \$70.90/bbl in Asian trade this morning. Uncertainty about the Chinese economic recovery amid a likely tightening in lending standards in the that country persists, and Asian equity markets remain under pressure.

Walter de Wet* CFA

+44 (20) 3145 6821

Walter.DeWet@standardbank.com

Leon Westgate*

+44 (20) 7626 6004

Leon.Westgate@standardbank.com

Manqoba Madinane*

+27 (11) 378 7220

Manqoba.Madinane@standardbank.co.za

Commodity price data (26 August 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,895	1,866	1,933	1,854	-32	-1.68	1,856.50	-29	-35.00
Copper	6,345	6,292	6,409	6,238	-20	-0.32	6,305.00	20	-15.00
Lead	2,095	2,055	2,130	1,833	-11	-0.53	2,077.00	71	-17.00
Nickel	19,500	19,075	19,710	18,900	-280	-1.45	19,500.00	-100	30.00
Tin	13,950	13,875	14,200	13,800	-125	-0.89	14,225.00	-375	216.00
Zinc	1,865	1,847	1,890	1,827	-6	-0.32	1,825.00	20	-29.00

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	71.55	71.26	71.55	71.12	-0.39	-0.55%
NYMEX WTI	71.36	71.20	71.68	71.03	-0.23	-0.32%
ICE Gasoil	585.25	585.00	585.25	584.25	4.25	0.73%
API2 Q3'09	73.15	72.60	-	-	-0.55	-0.76%
ICE EUA Dec09	15.25	15.22	-	-	-0.03	-0.20%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold*	949.50	940.50	949.75	940.50	944.25	0.25	1.1/0.50
Silver	-	14.26	14.44	14.19	14.26	-0.04	-3.0/-1.0
Platinum	1,248.00	1,240.00	1,249.00	1,238.00	1,233.00	-7.00	1/4
Palladium	287.00	286.00	286.00	285.00	283.00	-3.00	0/3

Sources: Standard Bank; LME; BBG

Focus: Atlantic Basin spread positive again

After trading at a discount to ICE Brent crude oil since 7 July, the front-month WTI/Brent differential has leaped back into positive territory — rising from **-\$4.9/bbl to \$0.23/bbl on Tuesday**. This could signal a tightening US crude oil and products demand/supply balance.

Several recent economic data support our view. On Tuesday, US API data showed gasoline inventories had contracted 377K barrels (the third consecutive w/w decline), taking the progressive US gasoline inventory run to 2,845K barrels in August. API data also showed US distillate fuel stockpiles fell 146K barrels last week — the first weekly decline since 31 July. This, coupled with 0.5% m/m increase in industrial production in July, signals that US industrial crude oil demand could be improving. US capacity utilization also gained 0.5 percentage points to 68.5% — further evidence of improving US economic activity.

Despite positive developments on the demand-side, US crude oil inventory data revealed some signs of persistent crude oil demand weakness. API crude oil inventories expanded 4,347K barrels whilst DOE data yesterday showed a 128K barrel increase — against market expectations for a 1,150K barrel contraction.

Base metals

Currency markets were main factor behind falls in metal prices during Wednesday afternoon. Sterling was sold off heavily vs. the dollar, which eventually dragged the euro lower with it. The stronger dollar weighed on commodities generally with all the metals finishing the day lower, in spite of much better than expected economic data.

The headline US Durable Goods figure came in well above consensus, climbing 4.9% compared to expectations of a 3% gain. Excluding transportation however orders were just below expectations at +0.8%, though June's figures were revised higher. The data was broadly positive for the metals, but could not support them in the face of the stronger dollar. The US New Home sales data were also much better than expected, climbing 9.6% m-o-m to 433k compared to expectations of only a 1.6% increase to 390K. The housing data helped arrest the afternoon slide in metal prices but couldn't spark a wholesale recovery in prices.

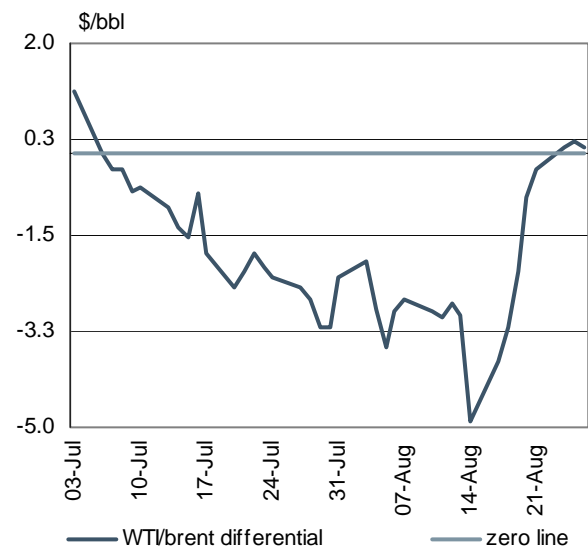
The base metals have made a tentative start during Thursday morning with pretty thin turnover being seen across the complex. The general trend has been lower, following weaker Asian equity markets overnight. Reports that China is studying curbs on overcapacity in industries such as steel and cement also appears to have weighed on sentiment. The metals have stabilised heading into the afternoon with focus switching towards this afternoon's US GDP and Jobless data.

The recent clampdown by Indonesian police on illegal mining activity in Bangka-Belitung and Kalimantan has triggered the temporary closure of seven tin smelters operated by the Banka-Belitung Timah Sejahtera consortium. The main problem centers on verifying that the ores supplied to the smelters are legally sourced. The news has seen tin buck the general trend this morning, with prices climbing back around the \$14,000 mark heading into the afternoon.

Further reports of lead smelter capacity closures in China have emerged overnight, however they are small scale in nature. The market now appears to be waiting to see how aggressive any clampdown on the smelting industry will be. Combined with a poor close on Wednesday, the wait and see attitude has seen profit taking start to emerge this morning, though prices remain above the \$2,000 level.

Elsewhere, Aluminium has found its feet after three day's of declining prices, with a 9,175 mt fall in available LME stocks lending a bit of support. Nickel dropped below \$19,000 during the morning session following a 1,800 mt increase in available LME stocks, though prices have recovered heading into the afternoon. The main location for the stock inflow was again Rotterdam.

WTI/Brent differential



Source: Global Markets Research

While concerns of rising US crude oil inventories are bearish for crude oil price momentum, we see front-month WTI crude oil prices well protected at current levels. **We favour a \$69.50/bbl – \$76/bbl trading range in the current macroeconomic climate.**

Manqoba madinane

Leon Westgate

Precious metals

Gold, silver, platinum and palladium remain range-bound. Since reaching a high of 3.85% at the start of August, renewed demand for US government bonds pushed the 10-year bond yield back to 3.42% this morning. During the same period, the Dow gained almost 200 points. Commodities are caught in the middle. The bond market is bearish on the economy, while the equity market is bullish. However, both can't be right. **Precious metals are caught in a battle between bonds and equities.**

If equities are to rise, then the dollar should continue to depreciate as risk appetite improves. This would be bullish for precious metals. If the bond market is right, the dollar could strengthen as demand for Treasuries rises, which would be bearish for the metals. At least for the rest of the week, today's US data releases could dictate direction. US initial jobless claims as well as continuing claims are due today. The market is looking for a marginal decline of 11,000 in initial jobless claims. A rise in claims could see bonds win today's round.

Gold continues to find good buying support on approach of \$940. However, this support may give way, should the employment data in the US be bearish. A break below \$940 could see the metal test \$935 and \$925. Resistance for the metal is at \$950 and \$955.

In the platinum market, we continue to watch the strikes in South Africa. **We maintain that the current strike action is not yet large enough to support a rally in the platinum price.** Apart from Impala, there are reports that Anglo Platinum is still negotiating with NUM and that a wage deal has not been reached yet. There are no talks of strike yet at Anglo. Given that the mines the company is by far the largest platinum producers, we regard the outcome of Anglo's wage negotiations as important.

Given silver's volatile nature, we remain wary of the metal under current market conditions. Failure by gold and copper to strengthen, could see silver move lower. Silver support is at \$14.00 and \$13.70. Resistance is at \$14.30 and \$14.60. Silver remains well supported but lacks major direction given that copper is range-trading between \$6,100 and \$6,400. At the same time gold is moving between \$940 and \$960. Support for the metal is at \$14.00 and \$13.90, with resistance at \$14.55 and \$14.68.

Walter de Wet

Energy

Front-month WTI crude oil came under pressure in electronic trade this morning following a bearish DOE crude oil inventory report yesterday. The report showed an inventory build of 128K barrels (consensus was for a 1,150K barrel contraction).

After climbing to \$71.60/bbl in New York aftermarket trade yesterday, **front-month WTI crude slipped to \$70.90/bbl in Asian trade this morning.** Uncertainty about the Chinese economic recovery amid a likely tightening in lending standards in the that country persists, and Asian equity markets remain under pressure. The Nikkei and Shanghai Composite have shed 1.56% and 0.52% respectively. Today's US Q2:09 GDP and initial jobless claims data could guide crude oil prices in New York. **Support and resistance are at \$70.32/bbl and \$72.28 respectively.**

Front-month ICE Brent crude oil range-traded between \$71.10/bbl and \$71.45/bbl throughout Asian and London trade this morning. Front-month Brent crude ignored a 5.7% m/m gain in the forward-looking German GfK consumer confidence index to 3.7. With no other major European economic data expected, **technical momentum signals could dominate in European trade.** Support and resistance are at \$70.43/bbl and \$72.31/bbl respectively.

Thermal coal remained under pressure yesterday amid growing pressure in China to curb excess industrial production in the country's steel, cement, coal and glass industries — boding ill for domestic Chinese thermal coal demand. Softer crude oil prices also weighed on thermal coal contract prices yesterday. API2(CIF ARA) for Q4:09 delivery shed \$1.20/mt to \$72.60/mt; API4(FOB) for Q4:09 delivery slipped \$0.55/mt, to \$66.40/mt. The Baltic Dry, a measure of global dry-bulk freight costs, gained 1.63% yesterday — which could support coal contract prices today.

Carbon emissions contract prices held steady despite weaker energy prices. Whilst ICE EUA for December 2009 delivery slipped EUR0.03/mtCO₂, to EUR15.22/mtCO₂, Active-year UN-backed CER was unchanged, at EUR13.45/mtCO₂.

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	4,613,725	4,617,975	1,675	5,925	-4,250	2,284,825	141,775	3.07	192,063
Copper	297,550	296,400	2,450	1,300	1,150	-42,225	7,450	2.50	125,301
Lead	120,775	119,150	1,625	-	1,625	75,625	1,475	1.22	37,043
Nickel	112,026	110,190	1,878	42	1,836	33,636	1,842	1.64	25,012
Tin	19,625	19,650	-	25	-25	11,835	845	4.31	14,868
Zinc	434,925	433,225	1,850	150	1,700	181,425	9,525	2.19	46,050

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	14,910	14,920	-75
Copper	49,650	49,730	90
Zinc	15,310	15,200	-115

COMEX active month future prices

Metal	Open	Close	Change	Change (%)
Aluminium	Ali Aug'09	87	86.50	0.00
Copper	Cu Aug'09	288	287.60	-0.10
Zinc				

ZAR metal prices (26 Aug 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,564	49,463	16,294	152,978	111,595	14,317	7.8450
3-month	14,894	50,220	16,402	152,249	110,745	14,742	7.9816

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)	79.05	-0.23	77.24	-2.87	77.81	-2.97	80.38	-2.77	85.77	-2.57
Gasoil 0.1% Rdam (\$/mt)	585.00	4.25	591.00	3.75	596.75	3.00	613.75	-20.25	651.00	-19.00
NWE CIF jet (\$/mt)	631.08	-3.90	623.18	-21.91	631.18	-21.41	662.80	-20.40	708.69	-19.08
Singapore Kero (\$/bbl)	78.86	-0.18	78.04	-2.62	79.16	-2.82	82.38	-2.77	87.62	-2.63
3.5% Rdam barges (\$/mt)	416.92	-1.81	411.99	0.43	409.18	0.25	408.79	-9.61	418.26	-10.21
1% Fuel Oil FOB (\$/mt)	432.95	-3.34	426.24	-4.07	427.68	-3.75	441.29	-12.86	460.76	-11.96
Sing FO 380 Cargo (\$/mt)	431.93	1.50	429.96	1.27	429.49	-8.25	431.45	-10.22	-	-
Sing FO180 Cargo (\$/mt)	437.24	-0.21	434.99	2.18	434.93	1.50	434.04	-9.36	-	-

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	72.60	-1.20	87.30	-2.15	82.00	-1.65	95.75	-1.70	102.25	-1.45
API4 (FOB RBCT)	66.40	-0.55	77.30	-2.05	73.40	-1.55	86.05	-1.45	91.75	-1.35

Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	15.15	-0.04	15.22	-0.03	15.59	-0.07	16.24	-0.07	17.28	-0.09
ICE - ECX CER (€/mt)	13.45	-0.03	13.45	0.00	13.21	0.00	13.21	0.02	13.50	0.03

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.31667	0.34833	0.37167	0.47333	0.68000
Silver	0.51167	0.51167	0.54000	0.57333	0.62000
USD Libor	0.26063	0.29188	0.37188	0.78250	1.35500

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	50.92	944.64	950.42	932.97	907.70	940.00	950.00
Silver	52.06	14.20	14.38	13.88	12.92	14.16	14.45
Platinum	52.82	1,239.27	1,246.18	1,188.70	1,086.22	1,221.00	1,248.00
Palladium	60.89	278.70	276.61	247.41	221.58	281.00	288.00

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	946.10	14,2800	288.00	1,238.40	944.80	2,857.00	946.40
Open Interest	379,629	101,539	21,386	27,053	879	85,858	2,941
Change in Open Interest	3,234	-2,039	398	296	-220	3,704	-82

Date: 26 August 2009

Sources: Standard Bank; LME; Bloomberg

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