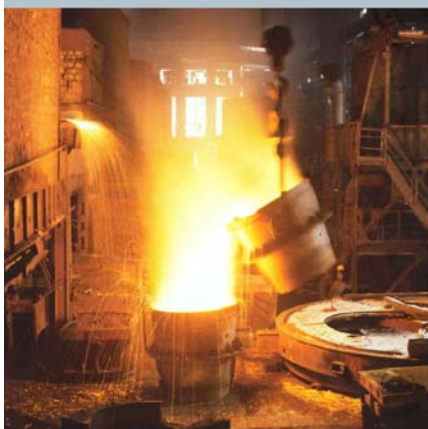


3 December 2009



Focus: Rising inventories weighing on crude oil The combination of a weaker US dollar and growing crude oil demand weakness in the US could keep front-month WTI crude oil range-bound between \$75/bbl and \$79/bbl in the week ahead.

- The key thing to note over the past day or so has been the breakdown in link between the dollar and the base metals. Instead, although the dollar traded more or less sideways during Wednesday, steady fund buying interest in aluminium, and to a lesser extent copper and zinc, saw much of the complex rally. This morning has seen the base metals continue to ignore the currencies, with the complex trading sideways, in spite of another bout of dollar weakness.
- Gold escalated to a new high in Asia this morning — but volumes are thin. There is less buying in the physical market, and scrap seems to be entering the market faster. We remain cautious of buying gold at current levels.
- Crude oil prices came under pressure after yesterday's DOE inventory data, which showed a 2,091 build on crude oil inventories, echoed Tuesday's bearish API inventory report. Front-month WTI crude oil slipped from \$78.09/bbl to \$76.20/bbl in New York yesterday before recuperating to \$76.96/bbl this morning after the greenback weakened from \$1.5042 to \$1.5113 against the euro.

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Commodity price data (2 December 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,120	2,158	2,165	2,090	54	2.57	2,102.50	59	-31.25
Copper	7,065	7,125	7,170	7,026	50	0.71	7,055.00	65	-30.75
Lead	2,488	2,485	2,526	2,430	12	0.49	2,445.00	102	-31.25
Nickel	16,550	16,300	16,730	16,300	5	0.03	16,400.00	135	-70.00
Tin	15,175	15,295	15,300	15,060	50	0.33	15,050.00	90	-64.00
Zinc	2,407	2,430	2,437	2,359	48	2.02	2,374.50	72	-31.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.09	78.37	78.46	78.07	0.49	0.63%
NYMEX WTI	76.51	76.84	76.96	76.50	0.24	0.31%
ICE Gasoil	619.00	620.50	621.00	619.00	3.00	0.48%
API2 Q1'10	77.40	77.00	-	-	-0.40	-0.52%
ICE EUA Dec09	13.46	13.52	-	-	0.06	0.45%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,211.50	1,212.50	1,216.20	1,198.00	1,211.50	12.50	0.8/1.2
Silver	-	19.24	19.45	19.13	19.31	0.16	2/3
Platinum	1,492.00	1,485.00	1,506.00	1,485.00	1,500.00	19.00	3/5
Palladium	388.00	386.00	390.00	385.00	388.00	8.00	1/3

Sources: Standard Bank; LME; BBG



Focus: Rising inventories weighing on crude oil

The latest US crude and refined product inventory data shows that **US crude oil demand remains weak**. With crude oil prices more responsive to supply/demand fundamentals in recent weeks, we believe inventory builds in the US, which were recorded by both the DOE and API this week, **could see the key \$80/bbl resistance level remain in place for front-month WTI crude oil**.

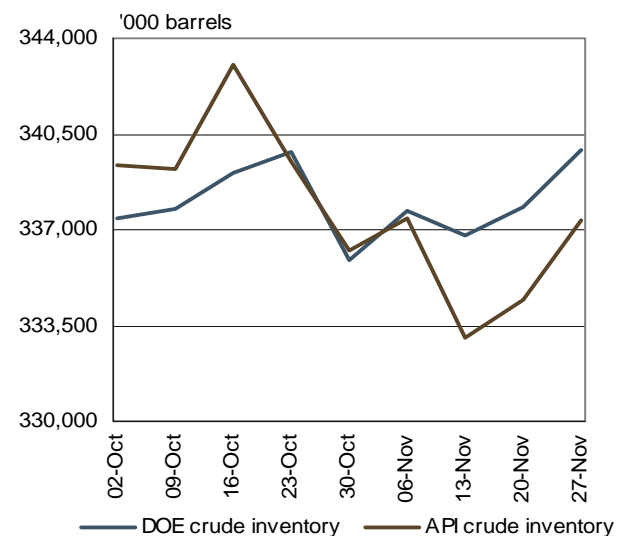
Yesterday's DOE inventory data showed a 2,091K rise in crude oil inventories last week. The data also showed gasoline stockpiles gained 3,996K — in line with the trend seen from Tuesday's API inventory data release.

According to API data, US crude oil inventories increased by 2,887K barrels, coupled with a 3,423K barrel build in gasoline stockpiles.

Overall demand remains weak despite a draw of 1,170K barrels in distillates inventories. The decline in distillate stockpiles came on the back of lower refinery utilization rates at 80%, which is 2 percentage points lower than a fortnight ago. API data also showed US crude oil imports contracted 1,225K barrels last week, signalling the US domestic crude oil market is well supplied.

However, we still see weaker US dollar providing support for crude oil prices. The rolling (on a 5-day basis) between front-month WTI crude and the trade-weighted US dollar increased 13% w/w, to -

Figure 1: API and DOE crude oil inventories



Source: DOE, API, Global Markets Research

0.69. **The combination of a weaker US dollar and growing crude oil demand weakness in the US could keep front-month WTI crude oil range-bound between \$75/bbl and \$79/bbl in the week ahead.**

By Manqoba Madinane

Base metals

The key thing to note over the past day or so has been the breakdown in link between the dollar and the base metals. Instead, although the dollar traded more or less sideways during Wednesday, steady fund buying interest in aluminium, and to a lesser extent copper and zinc, saw much of the complex rally. This morning has seen the base metals continue to ignore the currencies, with the complex trading sideways and consolidating their recent gains, in spite of another bout of dollar weakness. Also worth noting is that, after a very busy start to the week, volumes have dropped off markedly this morning.

The drop-off in activity may be due to the relatively large number of important economic data released this afternoon, including the ECB interest rate decision and accompanying statement, and the latest US Initial and Continuing claims figures. Tomorrow also sees the release of the closely watched US Nonfarm payrolls for November, expected at -125K.

Fund buying in aluminium was again a feature of the market on Wednesday, though the buying interest was again partially smothered by further significant selling activity. Good volumes built up as a result with well over 11,000 lots trading on Select. This morning has been much quieter both in terms of price action and turnover, with the light metal trading water heading into the afternoon. Elsewhere, LME on-warrant stocks posted another reasonable decline this morning, down 5,850 mt, due primarily to a 5,175 mt increase in cancelled warrants in Detroit.

Copper also had a busy day volume-wise on Wednesday, with over 10,000 lots trading on select. Price-wise however, copper only really made headway during the afternoon after having spent the morning going more or less sideways. After an initial rally overnight, this morning has seen the metal drift back towards the \$7,100 level.

In other news, Xstrata has announced it will increase its capital spending to \$6.8 billion next year - a gain of 89% - on the back of an expected recovery in global demand for commodities and continuing strong demand from China. Of the \$6.8 billion in total spending, \$4.9 billion will be used to expand projects. The focus for the spending is primarily on copper - where the company plans to double output to 2Mtpa by 2013 - however coal and nickel projects will also benefit.

By Leon Westgate

Precious metals

Gold escalated to a new high in Asia this morning — but volumes are thin. There is less buying in the physical market, and scrap seems to be entering the market faster. **We remain cautious of buying gold at current levels.**

Although investment demand remains strong, we could also see some profit-taking ahead of tomorrow's non-farm payroll data. Yesterday, the SPDR Gold Trust ETF, the biggest gold-backed ETF, added another 21,517oz to its investment holdings. This fund's gold holdings have gained 343,921oz in just the last week. **Gold support and resistance are at \$1,201 and \$1,232 respectively today.**

Silver tracked gold in Asia this morning. It jumped from \$19.19 to \$19.46. **Silver support and resistance are at \$19.08 and \$19.48 respectively today.**

Platinum and palladium continue to rise. Platinum rallied from \$1,480 in London to \$1,510 in New York yesterday. It ranged between \$1,500 and \$1,510 in Asia this morning. Equity market gains (the Nikkei gained 3.11%) supported PGM this morning. Palladium rose from \$388 to \$392.

Keep an eye on **non-farm payrolls data** (tomorrow). Yesterday's ADP Employment data (front-runner to non-farm payrolls) showed employment still rising in the US (and slightly faster than expected). The market expects non-farm payrolls to have declined by 125K in November (an ambitious expectation). **We would view anything better than this as very encouraging for growth and also PGM demand.**

By Walter de Wet

Energy

Crude oil prices came under pressure after yesterday's DOE inventory data, which showed a 2,091 build on crude oil inventories, echoed Tuesday's bearish API inventory report. **Front-month WTI crude oil slipped from \$78.09/bbl to \$76.20/bbl in New York** yesterday before recuperating to \$76.96/bbl this morning after the greenback weakened from \$1.5042 to \$1.5113 against the euro. Given a higher correlation between the front-end of the WTI crude oil forward curve and trade-weighted US dollar (refer to today's *Focus*), **the greenback could remain a key driver for front-month WTI crude oil today.**

With the Atlantic Basin spread sliding further into negative territory, to -\$1.53/bbl this morning, compared with -\$1.28/bbl yesterday, signalling weaker US implied crude oil import demand, front-month ICE Brent crude oil has struggled to find direction. It bounced between \$78.47/bbl and \$78.14/bbl. Today's Eurozone Q3:09 GDP data could guide ICE Brent crude oil futures in European trade — market expectations are for 0.4% q/q growth.

Thermal coal contract were pressured by weaker crude oil prices yesterday. Both API2(CIF ARA) and API4(FOB) for December delivery shed \$0.40/mt to \$77/mt and \$68.10/mt respectively. Positive for prices today, the Baltic Dry index, a measure of global freight rates, saw its first gain since 19 November — rising 2.13% yesterday.

Carbon contracts firmed yesterday despite lower German power prices and a weaker energy complex. ICE EUA for December 2009 delivery gained EUR0.06/mtCO₂, to EUR13.52/mtCO₂. UN-backed CER for December delivery gained EUR0.02/mtCO₂, to EUR12.54/mtCO₂.

By 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	4,593,075	4,595,900	1,250	4,075	-2,825	2,264,175	142,500	3.10	298,245
Copper	445,400	443,000	2,700	300	2,400	105,625	1,850	0.42	134,887
Lead	139,225	138,600	625	-	625	94,075	250	0.18	35,114
Nickel	141,456	140,826	630	-	630	63,066	1,626	1.15	42,116
Tin	26,700	26,750	25	75	-50	18,910	720	2.70	44,124
Zinc	458,850	459,000	100	250	-150	205,350	5,625	1.23	108,651

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,730	15,760	85	Ali Dec'09	-	-	-	-
Copper	55,580	55,780	500	Cu Dec'09	326	325.80	-0.05	-0.02%
Zinc	18,550	18,625	215					

ZAR metal prices (2 December 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,396	51,660	17,904	120,089	110,204	17,387	7.3225
3-month	16,081	53,093	18,517	121,461	113,972	18,107	7.4516

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)	86.36	0.16	84.93	-2.17	85.77	-2.08	88.26	-2.08	93.45	-2.08
Gasoil 0.1% Rdam (\$/mt)	620.50	3.00	633.00	3.25	642.25	3.25	660.00	-14.75	699.00	-14.75
NWE CIF jet (\$/mt)	690.21	-13.46	697.86	-14.27	705.69	-13.94	728.25	-14.00	764.86	-14.50
Singapore Kero (\$/bbl)	88.03	0.18	86.98	-1.87	87.72	-1.93	89.96	-1.91	95.15	-1.91
3.5% Rdam barges (\$/mt)	446.26	-10.99	450.99	-11.03	454.22	-10.61	459.83	-10.61	467.91	-10.96
1% Fuel Oil FOB (\$/mt)	467.26	-10.74	477.49	-9.78	482.47	-9.36	494.33	-9.86	513.91	-10.71
Sing FO 380 Cargo (\$/mt)	472.49	-10.53	473.97	-10.86	475.36	-11.13	480.16	-11.06		
Sing FO180 Cargo (\$/mt)	475.26	-10.49	477.24	-10.53	478.97	-10.36	483.83	-10.86		

Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	77.00	-0.40	86.90	-0.95	82.00	-0.95	95.90	-0.45	103.65	0.20
API4 (FOB RBCT)	68.10	-0.40	77.90	-1.15	73.75	-1.10	86.40	-0.60	93.95	0.20
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.52	0.06	13.52	0.06	13.69	0.05	14.31	0.08	15.04	0.08
ICE - ECX CER (€/mt)	12.62	0.05	12.54	0.02	12.22	0.02	12.22	0.05	12.55	-0.02

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.27200	0.28600	0.30800	0.39600	0.49200		
Silver	0.59600	0.59600	0.59600	0.59400	0.59400		
USD Libor	0.23438	0.24344	0.25500	0.47813	1.00313		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	75.20	1,182.69	1,151.21	1,026.58	975.17	1,201.00	1,232.00
Silver	62.97	18.70	18.24	16.28	14.91	19.08	19.48
Platinum	64.67	1,465.95	1,431.04	1,311.03	1,231.12	1,484.00	1,515.00
Palladium	70.46	373.34	363.40	308.47	268.74	383.00	395.00
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	Oct'09	Jun'10	Oct'09
Settlement	1,221.60	19,3200	392.55	1,506.30	1,197.60	3,453.00	1,224.40
Open Interest	521,433	131,899	23,271	35,855	1,562	119,796	3,897
Change in Open Interest	-4,902	383	-530	380	0	1,736	-5

Date: 2 December 2009

Sources: Standard Bank; LME; Bloomberg

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