

**Focus: OPEC compliance remains a problem** The Organization of Petroleum Exporting Countries (OPEC) will review production targets at a meeting in Angola on 22 December, but we do not foresee any changes in the current production target of 24.84m bpd. With demand fundamentals, even in Asia, remaining lackluster despite signs of a recovery in the global economy, the burden sits with OPEC — which supplies almost 40% of the world's crude — to move to reduce oversupply.

- The main feature on Wednesday was been the differing fortunes of Aluminium and Copper. Aluminium saw steady buying interest throughout much the day, with prices rallying strongly on the back of solid turnover, whereas copper, which also saw decent turnover, seemed welded to the performance of the dollar.
- We expect more headwind for precious metals. We continue to favour selling into rallies.
- Crude oil prices were range-bound in electronic trade this morning after a sharp decline yesterday. DOE crude oil inventory data showed a 3,823K barrel draw on inventories, but the rise in inventory at Cushing continues. Distillate inventories also rose. Overall, the data was bearish. Also, the US dollar strengthened from \$1.4764 to \$1.4685 against the euro. Front-month WTI has ranged between \$71.20/bbl and \$70.44/bbl this morning.

**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 (9 December 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,160	2,212	2,215	2,120	49	2.27	2,127.50	-7	-36.25
Copper	6,960	6,945	7,000	6,817	-35	-0.50	6,935.00	-26	-39.50
Lead	2,293	2,282	2,336	2,260	-8	-0.35	2,275.00	19	-34.50
Nickel	16,275	16,570	16,670	16,030	420	2.60	16,160.00	350	-83.00
Tin	15,050	15,250	15,300	15,049	125	0.83	15,175.00	215	-63.00
Zinc	2,325	2,312	2,353	2,285	-15	-0.64	2,304.00	13	-33.75

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	72.75	72.49	72.87	72.44	0.10	0.14%
NYMEX WTI	70.80	70.71	71.20	70.61	0.04	0.06%
ICE Gasoil	580.50	580.50	580.50	580.50	-15.00	-2.58%
API2 Q1'10	75.70	76.05	-	-	0.35	0.46%
ICE EUA Dec09	14.12	14.15	-	-	0.03	0.21%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,142.25	1,141.00	1,147.50	1,117.50	1,119.00	-23.00	0.6/1.0
Silver	-	17.38	17.89	17.13	17.20	-0.56	1/3
Platinum	1,424.00	1,422.00	1,430.00	1,408.00	1,410.00	-26.00	3/5
Palladium	369.00	367.00	371.00	362.00	362.00	-12.00	0/2

Sources: Standard Bank; LME; BBG



## Focus: OPEC compliance remains a problem

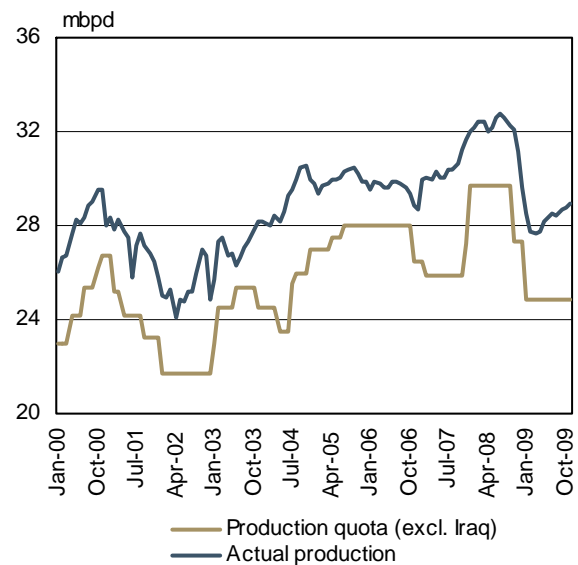
**The Organization of Petroleum Exporting Countries (OPEC) will review production targets** at a meeting in Angola on 22 December, but we do not foresee any changes in the current production target of 24.84m bpd. At the three previous meetings this year, the 12-member group has kept quotas steady.

OPEC has been noticeably quiet about its upcoming agenda thus far, but the global oversupply of crude and the middle distillate overhang, as well the tentative economic recovery that has not pushed the demand profile higher, are likely to be key issues. Talks behind the scenes will also likely address overproduction by member states, which has been creeping higher, alongside prices, for months.

**The question is “at what level will OPEC be prepared to ratchet back ‘over quota’ production?”** OPEC’s compliance in the first six months of the production cuts was remarkably tight — given its historical compliance levels. But now OPEC appears either unwilling or powerless to reel in the surplus as long as prices remain at \$65 to \$80.

OPEC also faces a bigger issue of non-OPEC production which, unlike in the past, is a significant disincentive for member compliance. The biggest non-OPEC oil exporter, Russia, set a fourth consecutive monthly output record in November, averaging 10.07m bpd. Russia, which is not an OPEC member, will send a minister to attend OPEC’s meeting in Luanda as an observer, but Russia has shown little interest in ratcheting back its produc-

Figure 1: OPEC actual production and quota



Sources: BBG; Global Markets Research

tion in line with OPEC targets.

With demand fundamentals, even in Asia, remaining lackluster despite signs of a recovery in the global economy, **the burden sits with OPEC** — which supplies almost 40% of the world’s crude — **to move to reduce oversupply**.

By Walter de Wet

## Base metals

The main feature on Wednesday was been the differing fortunes of Aluminium and Copper. Aluminium saw steady buying interest throughout much the day, with prices rallying strongly on the back of solid turnover, whereas copper, which also saw decent turnover, seemed welded to the performance of the dollar. All of the metals came under pressure towards the close however as the dollar strengthened against the euro late-on.

This morning has seen further buying interest emerge in aluminium to see the light metal climb back above \$2,200 heading into the afternoon. In other news, the Japanese Q1-2010 aluminium premium has reportedly increased to a 14-year high of \$125-\$128/mt over the LME cash price, compared to \$115-\$125/mt seen during the current quarter.

Copper has meanwhile come under further pressure after being sold heavily during overnight trade. After the initial sell-off however, the red metal has since resorted to tracking the dollar. Meanwhile, a stoppage at Codelco’s giant Chuquicamata mine - owing to workers blocking access to the site - lasted only 19 hours. The news had little impact on prices yesterday, with most market participants correctly anticipating a short term stoppage only.

Inventory-wise, on-warrant LME copper stocks posted a 3,475 mt gain this morning, the main locations being Busan and Singapore, up 2,750 mt and 725 mt respectively.

There is very little else to report from the other metals, with zinc and lead following copper over the past couple of days, and nickel half-heartedly keeping tabs on aluminium.

On the economic front, the Bank of England left interest rates unchanged, as expected, at 0.50% and also left the Asset Purchase Target at £200 billion. This afternoon sees the announcement of the latest US Initial and Continuing claims figures (expected at 455K and 5450K respectively).

By Leon Westgate

## Precious metals

We expect more headwind for precious metals. We continue to favour **selling into rallies**.

There is a clear divergence between US and Europe risk appetite, evidenced by European equities which ended in the red yesterday, while US equities closed higher.

On top of this, after the bullish US employment data on Friday, France released its industrial production figures for November, which came in well below expectations. This follows the weak Germany industrial production data on Monday.

The euro should remain under pressure. While the euro is holding on to the \$1.4700 level against the dollar it is set to be tested today.

Gold is below the \$1,130 level which is now providing resistance. On renewed buying interest in Asia this morning, gold returned to \$1,136 but was unable to hold on to these gains. **Support is at \$1,113 and \$1,120, resistance is at \$1,130 and \$1,140.**

Silver fell from \$17.88 to \$17.13 in New York. Silver continues to struggle for direction and a break below \$17.00 cannot be ruled out. **Support and resistance are at \$17.03 and \$17.79 respectively today.**

By Walter de Wet

## Energy

**Crude oil prices were range-bound** in electronic trade this morning after a sharp decline yesterday.

DOE crude oil inventory data showed a 3,823K barrel draw on inventories, but the rise in inventory at Cushing continues. Distillate inventories also rose. Overall, the data was bearish. Also, the US dollar strengthened from \$1.4764 to \$1.4685 against the euro.

**Front-month WTI nose-dived from \$73.60/bbl to \$70.15/bbl in New York** It has ranged between \$71.20/bbl and \$70.44/bbl this morning. The correlation between crude and the dollar remains high. We expect the euro to remain under pressure, which could make major upside in crude unlikely today.

Look out for today's US initial jobless claims data — market expectations are for 455K claims. Following on last week's better-than-expected non-farm payrolls data; positive data could further support the dollar.

**Thermal coal contract prices climbed higher** yesterday amid a growing coal supply shortage at Chinese power utilities. API2(CIF ARA) and API4(FOB) for January 2010 delivery gained \$0.35/mt, to \$76.45/mt and \$69.55/mt respectively. Increasing Chinese import demand for thermal coal has seen the China Coastal Bulk Freight index (CCBFI), a measure of shipping costs in the Chinese market, gained 62% m/m in November. However, the Baltic Dry index, a measure of freight rates on a global scale, contracted 2.84% yesterday.

**Carbon contracts were a mixed bag** yesterday, with UN-backed contracts coming under pressure while EUA contracts firmed. ICE EUA for December delivery gained EUR0.03/mt CO<sub>2</sub>, to EUR14.15/mtCO<sub>2</sub>. UN-backed CER for December delivery shed EUR0.35/mtCO<sub>2</sub>, to EUR12.78/mtCO<sub>2</sub>.

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	4,590,000	4,593,150	700	3,850	-3,150	2,261,100	176,750	3.85	247,289
Copper	461,625	458,500	3,475	350	3,125	121,850	700	0.15	86,783
Lead	140,750	140,800	-	50	-50	95,600	150	0.11	28,961
Nickel	143,766	143,430	462	126	336	65,376	1,506	1.05	37,655
Tin	26,440	26,545	-	105	-105	18,650	550	2.08	49,154
Zinc	457,550	457,825	-	275	-275	204,050	4,825	1.05	94,864

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,980	15,930	25	Ali Dec'09	-	-	-	-
Copper	54,240	53,710	-1,060	Cu Dec'09	312	311.60	-0.75	-0.24%
Zinc	18,000	17,920	-175					

### ZAR metal prices (9 December 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,095	52,463	17,210	122,250	114,799	17,430	7.5650
3-month	17,028	53,461	17,563	127,553	117,391	17,797	7.6978

## 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)	82.13	-0.66	81.85	-0.87	82.70	-0.84	85.34	-0.90	90.90	-0.97
Gasoil 0.1% Rdam (\$/mt)	580.50	-15.00	590.50	-17.00	599.00	-16.75	637.50	-7.50	677.75	-7.50
NWE CIF jet (\$/mt)	669.15	-2.82	671.78	-5.27	678.60	-7.00	702.75	-5.75	744.11	-6.54
Singapore Kero (\$/bbl)	83.08	-0.84	83.65	-0.87	84.50	-0.89	86.89	-0.95	92.42	-1.02
3.5% Rdam barges (\$/mt)	423.72	-14.78	427.22	-15.79	430.03	-15.34	435.53	-14.52	444.61	-13.26
1% Fuel Oil FOB (\$/mt)	432.47	-25.28	445.72	-18.54	453.03	-18.59	466.53	-16.77	486.36	-15.51
Sing FO 380 Cargo (\$/mt)	448.72	-15.29	450.03	-14.84	451.57	-14.60	456.19	-13.59		
Sing FO180 Cargo (\$/mt)	452.22	-15.28	453.22	-15.29	454.78	-14.84	460.03	-13.77		

Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	76.05	0.35	87.25	0.45	81.60	0.35	96.90	0.35	106.30	0.35
API4 (FOB RBCT)	69.55	0.35	78.75	0.45	74.25	0.35	87.45	0.35	96.55	0.35
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.13	0.01	14.15	0.03	14.27	-0.04	14.99	0.07	15.71	-0.06
ICE - ECX CER (€/mt)	12.77	-0.36	12.78	-0.35	12.68	-0.02	12.66	-0.09	13.18	0.05

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.32400	0.32800	0.34200	0.41400	0.58000
Silver	0.59400	0.59400	0.59400	0.59400	0.58400
USD Libor	0.23406	0.24375	0.25519	0.46188	1.00663

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	55.44	1,170.71	1,161.76	1,036.45	980.68	1,113.00	1,145.00
Silver	49.58	18.34	18.36	16.49	15.03	17.03	17.79
Platinum	54.22	1,453.59	1,449.44	1,323.61	1,240.43	1,401.00	1,432.00
Palladium	57.80	373.63	371.11	314.16	273.06	358.00	371.00

Active Month Future	COMEX GLD Dec'09	COMEX SLV Sep'09	NYMEX PAL Oct'09	NYMEX PLAT Oct'09	DGCX GLD Oct'09	TOCOM GLD Jun'10	CBOT GLD Oct'09
Settlement	1,127.40	17.3750	367.90	1,409.20	1,128.10	3,198.00	1,127.40
Open Interest	505,652	125,999	22,904	34,120	1,649	122,391	2,896
Change in Open Interest	-3,078	-2,736	-310	-403	256	1,150	-286

Date: 9 December 2009

Sources: Standard Bank; LME; Bloomberg

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