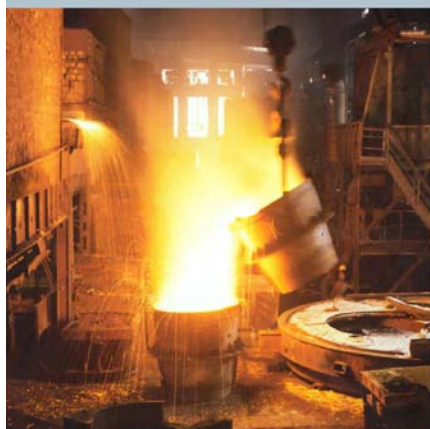


16 December 2009



Leon Westgate*

+44 (20) 7626 6004

Leon.Westgate@standardbank.com

Focus: Dollar losing its dominance The strength of the US dollar has been a key driver of commodity prices over the past few months, particularly given the large disconnect between futures prices and where fundamental drivers have been absent, or rendered irrelevant by the inflow of investor flows into the commodities complex.

- Better than expected US Industrial Production data - up 0.8% compared to expectations of a 0.5% rise - triggered a bit of short covering activity yesterday afternoon, seeing the metals recover after a poor start to the day. This morning has seen the base metals complex continue to trade higher, helped by stronger than expected Chinese FDI numbers and by CTA buying activity.
- Crude oil completely ignored the dollar yesterday and also looks to be breaking its link with the currencies. Front month WTI traded sideways during the morning session, in spite of a stronger dollar, before rallying as the US market entered the fray and on the back of the positive US IP numbers.
- Coal also rallied strongly yesterday, helped by stronger natural gas prices and higher European power prices. The price movement was mainly focused towards the front end of the curve.
- Gold was largely governed by the strength of the dollar yesterday, however it dug its heels in above \$1,111/oz again before recovering to finish around \$1,122 in NY trade.

Commodity price data (15 December 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,235	2,234	2,245	2,235	-27	-1.19	2,204.00	-62	-36.40
Copper	6,850	6,900	6,946	6,910	-18	-0.26	6,800.50	-120	-40.75
Lead	2,322	2,365	2,365	2,350	21	0.88	2,294.00	3	-33.00
Nickel	16,825	17,000	17,025	16,950	0	0.00	16,730.00	40	-64.00
Tin	15,300	15,325	15,300	15,300	25	0.16	15,260.00	105	-61.00
Zinc	2,312	2,335	2,344	2,331	1	0.04	2,276.00	-6	-36.25

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	72.29	72.33	72.33	72.03	0.28	0.39%	-	-	-
NYMEX WTI	70.81	70.78	71.00	70.59	0.09	0.13%	-	-	-
ICE Gasoil	588.00	590.00	591.00	587.50	-0.25	-0.04%	-	-	-
API2 Q2'09	67.80	66.90	-	-	-0.90	-1.35%	-	-	-
ICE EUA Dec09	12.61	12.58	-	-	-25.19	-0.24%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,115.00	1,122.00	1,128.50	1,099.00	1,122.00	127.00	0/0.4
Silver	-	17.41	17.45	17.17	17.43	0.77	2/3
Platinum	1,437.00	1,434.00	1,450.00	1,435.00	1,440.00	158.00	3/5
Palladium	364.00	363.00	366.00	361.00	363.00	72.00	1/2

Sources: Standard Bank; LME; BBG



Focus: Dollar losing its dominance

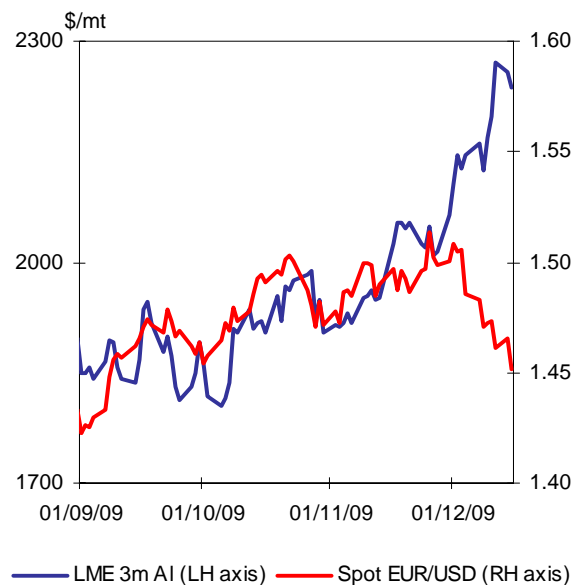
The strength of the US dollar has been a key driver of commodity prices over the past few months, particularly given the large disconnect between futures prices and where fundamental drivers have been absent, or rendered irrelevant by the inflow of investor flows into the commodities complex.

Recently however, the link between many commodities and the dollar appears to be breaking down. Many of the base metals have continued to push higher, reacting to stronger economic numbers and the general growth/recovery story rather than the recent dollar strength.

Signs of increased Chinese activity in some markets are also having an impact on sentiment, while ongoing concerns over the impact that accommodative and unconventional fiscal policies may have on inflation, are also underpinning prices, and helping commodities shrug-off the recent dollar strength. Even gold, which at times behaves like a pseudo currency rather than a commodity, is looking more towards technical signals rather than the dollar.

Ultimately, dollar denominated commodities will never be able to completely ignore changes in the strength of the US dollar, however, for the time being the dollar play is becoming less of a fac-

LME 3-month Aluminium price vs. Spot Euro



Source: Bloomberg, LME

tor in determining price direction.

By Leon Westgate

Base metals

Better than expected US Industrial Production data - up 0.8% compared to expectations of a 0.5% rise - triggered a bit of short covering activity yesterday afternoon, seeing the metals recover after a poor start to the day. This morning has seen the base metals complex continue to trade higher, helped by stronger than expected Chinese FDI numbers and by CTA buying activity.

Copper has traded back above \$7,000 during the morning, rallying during Asian trade and then picking up further heading into the afternoon. Prices have since backed off a little, with the market taking a breather ahead of the release of the US Housing Starts and CPI data. On the SFE the nearby portion of the curve has tightened, with the curve pretty much flat out to April-10. The arbitrage between the SFE and LME is not yet at a point to be viable, but it is certainly moving in that direction once again. Either way, the recent upswing in Chinese activity is helping to underpin the copper price.

Meanwhile, on-warrant LME copper stocks posted a 2,725 mt increase this morning. The main location for the inflow was Busan, up 1,475 mt, though Chicago and New Orleans also saw reasonable gains, up 900 mt and 650 mt respectively.

Zinc has been the strongest performer this morning with CTA buying helping propel the metal above \$2,400. The other base metals have also rallied strongly too, with tin the only one left out - hindered by poor turnover and a lack of interest.

Aluminium has followed a similar pattern to that of copper and zinc, with CTA buying also a feature of the market this morning. Meanwhile, although headline LME inventory rose by 19,775 mt this morning, due to a 19,900 mt inflow into Johor, on-warrant stocks climbed by only 5,875 mt with the headline data masking a 14,850 jump in cancelled warrants in Detroit.

In other news, China has said it will review the recently introduced regulations governing electric-powered bikes after concerns were expressed that new regulations might lead to closures among manufacturers. Earlier this month the government had introduced rules limiting the top speed and weight of e-bikes and electric motorcycles, potentially impacting on demand for the bikes and for the lead used in their batteries.

By Leon Westgate

Precious metals

Gold was largely governed by the strength of the dollar yesterday, however it dug its heels in above \$1,111/oz again before recovering to finish around \$1,122 in NY trade. Therefore, although the dollar continues to have an impact on prices, technical levels are also continuing to constrain the absolute price movement, with gold essentially remaining rangebound. Meanwhile, activity seems to be tailing off towards year-end.

Looking ahead, the main economic data this afternoon is the US CPI figures for November (expected at +0.4% m-o-m) and the November Housing Starts (expected at 574K). This evening comes the closely watched FOMC rate decision. Although rates are unlikely to be changed this time, the accompanying statement will be scrutinised for signs of when the stimulus measures may be withdrawn, particularly coming on the back of improving payroll numbers.

Silver remains gold's poorer, less attractive sibling. Silver tracked gold pretty closely yesterday, and has continued to hang onto its coat-tails this morning.

Given the recent performance of gold, the PGMs are holding on very well. The PGM's basically serve a dual role, with one foot in the precious metals camp and the other in the industrial metals. With the base metals shifting focus towards the growth story recently, it seems that the PGM's have also shifted focus from the link to the dollar to the fundamental growth story and increased industrial usage, with palladium benefiting in particular. This trend is likely to continue over the coming months as the global economic recovery unfolds.

By Leon Westgate

Energy

Crude oil completely ignored the dollar yesterday and also looks to be breaking its link with the currencies. Front month WTI traded sideways during the morning session, in spite of the stronger dollar, before rallying ~\$1.50 a barrel - from \$69.52 to ~\$71.00 - as the US market entered the fray and on the back of the positive US IP numbers. After the afternoon jump, WTI then traded reverted to trading sideways again, eventually finishing at \$70.69.

The API inventory figures painted a mixed picture. The bullish aspect to the numbers came from a much larger than expected draw in fuel distillates, down 2.6 million barrels compared to expectations of a 0.6 million barrel decline. In contrast, Crude oil inventories 0.9 million barrels compared to expectations of a 1.8 million barrel decline. Either way the numbers had little bearing on prices, with all eyes instead switching to this afternoon's US Department of Energy (DOE) inventory figures.

Expectations are for the DOE numbers to show a 2 million barrel draw in Crude Oil inventories, a 1.3 million barrel increase in Gasoline stocks and a 0.5 million barrel decline in Distillate stocks.

Coal also rallied strongly yesterday, helped by stronger natural gas prices and higher European power prices. The price movement was mainly focused towards the front end of the curve, with port capacity constraints, particularly in Newcastle, starting to have a bearing on prices too.

Of particular interest were reports that, after being absent from the South African coal market for some time, the Chinese went and bought around 600 kt of coal last week from Richards Bay. The shift in focus from the Chinese market is very interesting and ties in with signs from some of the other commodity markets that the Chinese are once again gearing themselves up for next year.

By Leon Westgate

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	4,625,375	4,605,600	22,975	3,200	19,775	2,296,475	202,825	4.39	225,308
Copper	473,275	470,800	3,125	650	2,475	133,500	2,575	0.54	121,462
Lead	141,575	140,925	650	650	650	96,425	75	0.05	25,666
Nickel	146,856	145,926	972	42	930	68,466	948	0.65	31,244
Tin	26,220	26,230	35	45	-10	18,430	430	1.64	15,054
Zinc	456,875	457,125	-	250	-250	203,375	4,225	0.92	79,251

Shanghai 3-month forward prices

Metal	Open	Last	1d Chnge
Aluminium	16,420	16,450	-70
Copper	55,020	55,270	170

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,479	50,847	17,152	125,090	114,099	17,018	7.4770
3-month	17,001	52,508	17,997	129,368	116,622	17,769	7.6099

Energy

Energy futures pricing	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change
	1 month		2 month		3 month		6 month		1 year	
Sing Gasoil (\$/bbl)	78.35	-0.10	79.13	0.06	79.97	0.06	82.76	0.22	#N/A	#N/A
Gasoil 0.1% Rdam (\$/mt)	590.00	-0.25	597.25	-0.50	604.50	1.50	625.00	-1.00	663.00	-1.50
NWE CIF jet (\$/mt)	656.77	0.82	655.75	1.90	662.80	1.75	686.33	1.66	727.43	1.25
Singapore Kero (\$/bbl)	80.05	0.19	81.68	0.46	82.32	0.31	84.71	0.42	90.21	0.32
3.5% Rdam barges (\$/mt)	426.33	0.51	425.49	2.26	428.42	2.44	432.71	1.53	439.87	0.35
1% Fuel Oil FOB (\$/mt)	438.15	1.80	445.99	2.51	452.92	2.19	464.96	1.78	482.62	0.60
Sing FO 380 Cargo (\$/mt)	450.24	3.51	450.42	3.19	450.77	2.62	453.92	1.33	455.98	0.57
Sing FO180 Cargo (\$/mt)	461.29	1.69	454.24	3.26	454.67	2.69	457.96	1.78	455.98	0.57
Thermal coal	Q1-10		Q2-10		Q3-10		Cal 10		Cal 11	
API2 (CIF ARA)	78.15	1.40	80.35	1.30	83.65	1.20	82.35	1.28	97.05	0.95
API4 (FOB RBCT)	72.75	1.25	74.75	1.30	76.55	1.25	75.75	1.25	87.75	0.80
Carbon	Spot		Dec-10		Dec-11		Dec-12		Dec-13	
ICE - ECX EUA (€/mt)	14.46	0.08	14.70	0.09	15.31	0.08	16.09	0.11	17.07	-
ICE - ECX CER (€/mt)	12.95	-0.02	12.72	-0.06	12.77	-0.06	13.24	-0.02	-	-

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.38000	0.39167	0.40333	0.44167	0.60000		
Silver	0.60333	0.59500	0.59500	0.59500	0.59833		
USD Libor	0.23250	0.24094	0.25344	0.45250	1.00500		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	54.84	1,140.98	1,159.51	1,043.65	984.81	880.00	898.00
Silver	49.78	17.73	18.20	16.64	15.12	12.72	12.11
Platinum	56.79	1,439.85	1,450.13	1,333.30	1,248.23	1,080.00	1,120.00
Palladium	57.60	368.34	370.11	318.05	276.17	214.00	222.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Jun'09	Jul'09	Jul'09	Jul'09	Jun'09	Apr'10	Jun'09
Settlement	1,128.50	17,4450	366.05	1,452.50	1,127.30	3,251.00	1,126.80
Open Interest	499,898	122,356	22,211	33,986	1,779	125,291	2,788
Change in Open Interest	21,557	17,788	128	-1,536	226	-25,275	-2,788

Date: 16/12/2009

Sources: Standard Bank; LME; Bloomberg

Disclaimer

Certification

The analyst(s) who prepared this research report (denoted by an asterisk*) hereby certifies(y) that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and issuer(s) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

Conflict of Interest

It is the policy of The Standard Bank Group Limited and its worldwide affiliates and subsidiaries (together the "Standard Bank Group") that research analysts may not be involved in activities in a way that suggests that he or she is representing the interests of any member of the Standard Bank Group or its clients if this is reasonably likely to appear to be inconsistent with providing independent investment research. In addition research analysts' reporting lines are structured so as to avoid any conflict of interests. For example, research analysts cannot be subject to the supervision or control of anyone in the Standard Bank Group's investment banking or sales and trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those sales and trading departments may conflict with your interests. **Please note that one or more of the analysts that prepared this report sit on a sales and trading desk of the Standard Bank Group.**

Legal Entities:

To U. S. Residents

Standard New York Securities, Inc. is registered with the Securities and Exchange Commission as a broker-dealer and is also a member of the FINRA and SIPC. Standard Americas, Inc is registered as a commodity trading advisor and a commodity pool operator with the CFTC and is also a member of the NFA. Both are affiliates of Standard Bank Plc and Standard Bank of South Africa. Standard New York Securities, Inc is responsible for the dissemination of this research report in the United States. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Standard New York Securities, Inc.

To South African Residents

The Standard Bank of South Africa Limited (Reg.No.1962/000738/06) is regulated by the South African Reserve Bank and is an Authorised Financial Services Provider.

To U.K. Residents

Standard Bank Plc is authorised and regulated by the Financial Services Authority (register number 124823) and is an affiliate of Standard Bank of South Africa. The information contained herein does not apply to, and should not be relied upon by, retail customers.

General

This research report is based on information from sources that Standard Bank Group believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or member of the Standard Bank Group gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of the Standard Bank Group and the research analyst's involvement with any issuer referred to above).

All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts you should consult your investment advisor. The investments discussed may fluctuate in price or value.

Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Members of Standard Bank Group may act as placement agent, advisor or lender, make a market in, or may have been a manager or a co-manager of, the most recent public offering in respect of any investments or issuers referenced in this report. Members of the Standard Bank Group and/or their respective directors and employees may own the investments of any of the issuers discussed herein and may sell them to or buy them from customers on a principal basis. This report is intended solely for clients and prospective clients of members of the Standard Bank Group and is not intended for, and may not be relied on by, retail customers or persons to whom this report may not be provided by law. This report is for information purposes only and may not be reproduced or distributed to any other person without the prior consent of a member of the Standard Bank Group. Unauthorised use or disclosure of this document is strictly prohibited. By accepting this document, you agree to be bound by the foregoing limitations. Copyright 2009 Standard Bank Group. All rights reserved.