

Focus: Gold and silver speculative length still declining Speculative length for both gold and silver is still in decline. While we view this as potential upside, we are not yet bullish on either metal. For now, we would sell into gold rallies. Silver is also building upward momentum. Speculative length continues to decline. Given that silver has a beta of greater than 1 with gold, should gold push higher, we would look for silver to outperform gold.

- With the Chinese on holiday, the base metals have had a very quiet start to the week. With the US also on holiday today volumes are expected to remain subdued throughout the day with the metals looking to technical signals and the FX markets for direction. The thin conditions today and throughout this week will likely also result in some pretty choppy trading.
- We remain cautious on gold despite it trading almost \$20 higher than Friday's lows. While physical demand has been healthy ahead of the Chinese New Year, we expect it to slow.
- Although platinum and palladium are not gaining much ground, both metals are enjoying good buying on the dips.
- The combination of the Chinese New Year holiday and the US President's Day holiday today, has resulted in a very quiet start to the week for the energy complex. Monday has seen WTI crude trade sideways heading into the afternoon, more or less around Friday's closing levels.

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Commodity price data (12 February 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,033	2,055	2,079	2,050	-10	1.08%	2,004.50	-8	-32.75
Copper	6,790	6,815	6,860	6,787	-130	0.37%	6,766.00	94	-12.75
Lead	2,098	2,135	2,130	2,113	8	1.78%	2,080.00	15	-14.50
Nickel	18,475	18,650	18,780	18,595	100	0.95%	18,455.00	510	-71.00
Tin	16,195	16,250	16,200	16,171	20	0.34%	16,125.00	125	-65.00
Zinc	2,135	2,170	2,186	2,162	-10	1.64%	2,130.50	-25	-1.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	73.12	72.81	73.15	72.64	-0.09	-0.12%
NYMEX WTI	74.02	74.18	74.36	73.89	0.05	0.07%
ICE Gasoil	587.00	586.00	590.00	585.25	2.25	0.38%
API2 Q1'10	73.50	75.10	-	-	1.60	2.13%
EUA Dec10	13.23	12.95	-	-	-0.28	-2.12%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,078.25	1,082.00	1,093.50	1,079.00	1,088.60	-5.20	-0.6/-0.2
Silver	-	15.52	15.67	15.22	15.42	-0.14	0.5/2.5
Platinum	1,513.00	1,505.00	1,525.00	1,493.00	1,512.00	-3.00	-1.5/0.5
Palladium	414.00	416.00	420.00	410.00	413.00	2.00	-1.5/0.5

Sources: Standard Bank; LME; BBG



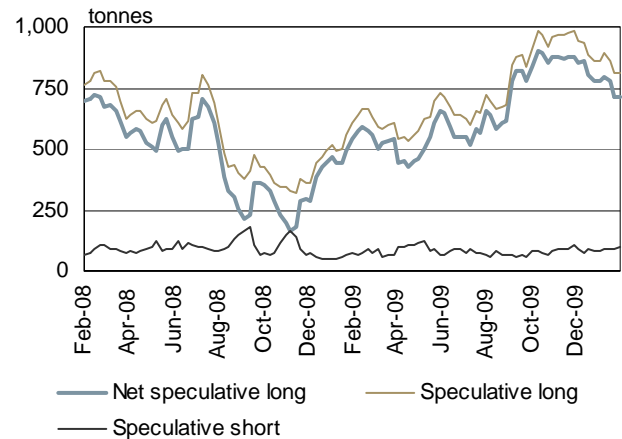
Focus: Gold and silver speculative length still declining

Speculative length for both gold and silver is still in decline. While we view this as potential upside, **we are not yet bullish on either metal.**

Gold has seen its net speculative length on COMEX decline to 29.8% of open interest — the lowest level since April 2009. The net speculative long position is now at 606 tonnes. This is down from 300 tonnes lower than the highs reached in October last year. At the same time, gold ETF holdings have declined from record levels of just above 1,800 tonnes in December to 1,780 tonnes last week — despite the large decline in speculative length, a stronger dollar and lower ETF holdings, a gold price only \$100 below its record levels of early December might be surprising. However, we have seen very good physical demand for gold leading up to the Chinese New Year. Recently, strong demand from China (and Asia) has supported gold under adverse conditions. However, with China on holiday for the next two weeks, there could be less physical demand for gold.

While timing is always difficult, should physical demand dry up, gold could be set for a further downward correction in the next two to four weeks. Therefore, we would **sell into gold rallies.** Towards Q2, we would view a decline in speculative length as upside potential for gold. However, we will wait for the risk aversion (fuelled by Greece's troubles) to subside before we would

Gold speculative length as a percentage of open interest



Sources: CFTC, Standard Bank

buy the dips.

Silver is also building upward momentum. Speculative length continues to decline (16.08% of open interest last week). Given that silver has a beta of greater than 1 with gold, should gold push higher, **we would look for silver to outperform gold.**

By Walter de Wet

Base metals

With the Chinese on holiday this week, the base metals were incredibly quiet overnight, with copper seeing less than 500 lots trade on LME Select by 9am UK time. With the US also on holiday today volumes are expected to remain subdued throughout the day with the metals looking to technical signals and the FX markets for direction. The thin conditions today and throughout this week will likely also result in some pretty choppy trading.

Copper was the main focus today on Friday, coming under pressure in the immediate aftermath of China's decision to increase its reserve requirements. Prices stabilised and picked up towards the close however, with the metal finishing the week back above its 100-day MA. After a very slow start this morning, prices have continued to strengthen heading into the afternoon, helped by a weakening dollar, with the metal closing in on \$6,900.

Inventory-wise, although headline LME copper stocks posted a 1,350 mt gain, on-warrant stocks declined by 3,250 mt after a 4,600 mt jump in cancelled warrants. The main location for the cancellations were in Rotterdam (+3,050 mt) and Busan (+1,300 mt). Of note, the pace of warrant cancellations in Busan and other Asian LME warehouses has accelerated over the past couple of weeks, giving another indication that activity in that part of the world is starting to pick up.

With Monday a US holiday and therefore potentially rather volatile with no Chinese or US markets, there was increased activity in the nearby spreads (Feb-March in particular) as participants opted to execute their pre Third Wednesday rolls sooner rather than later. As a consequence the nearby spreads tightened across much of the complex. In contrast, Feb-March Zinc eased slightly today, being valued at 8b this morning after trading out to 14b on Thursday. To put that into perspective however, March-April Zinc is valued at \$6.5c this morning.

Meanwhile, it seems that increased metals prices are starting to attract investment, with Sumitomo looking to spend \$2.1 billion in the next 3 years. Most of the investment will be spent on nickel with the company looking to double production capacity to 150ktpy from 2013.

By Leon Westgate

Precious metals

We remain cautious on gold despite it trading almost \$20 higher than Friday's lows. While physical demand has been healthy ahead of the Chinese New Year, we expect it to slow. And given ongoing problems in the Eurozone, we do not expect much support from currency movements. Gold support is at \$1,080 and \$1,070, resistance at \$1,101 and \$1,108.

Although platinum and palladium are not gaining much ground, both metals are enjoying good buying on the dips. The US platinum ETF continues to accumulate metal at a steady pace, with platinum holdings at 264774oz — almost 20,000oz higher than a week earlier. Total platinum ETF holdings are at 960K oz. There may be temporary weakness and volatility, but we believe platinum and palladium are set to push higher. Platinum support is at \$1,490 and \$1,470, resistance at \$1,535. Palladium support is at \$410 and resistance at \$425.

Like gold, silver could be vulnerable and, given that we are wary of gold, we see more headwinds for silver. If physical demand for gold slows, silver could see even further downside. Some support for silver may come from a partial rebound in copper after the red metal sold off aggressively yesterday. Silver support is at \$15.25 and \$15.00, resistance at \$15.75 and \$16.00.

By Walter de Wet

Energy

The combination of the Chinese New Year holiday and the US President's Day holiday today, has resulted in a very quiet start to the week for the energy complex. In addition, today also represents the start of International Petroleum Week in London. With traders out and about schmoozing with clients, it is yet another factor reducing the activity in the energy markets this morning.

Unsurprisingly given the lack of interest, Monday has seen WTI crude trade sideways, albeit with one eye tracking the dollar. Front month WTI is continuing to trade more or less around Friday's closing levels heading into the afternoon, just above \$74/bbl.

Aside from a short-term and negative reaction to the Chinese changes to the reserve requirements for its big banks, Friday was another largely dollar-dominated day. Friday's DOE Inventory data showed a larger than expected gain in both Crude and Gasoline inventories and a smaller than expected decline in Distillate stocks. The figures had little lasting impact however, with crude oil reverting to dollar watching shortly after.

Coal has also had a very quiet start to the day, but has picked up slightly. Friday was a mixed picture overall, with API2 picking up along its forward curve while API4 came under pressure. API2 for Q2-10 picked up \$1.60/mt, API4 for Q2-10 dropped \$0.95 to \$77.80/mt.

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	4,550,025	4,555,800	650	6,425	-5,775	-78,875	273,400	6.01	162,226
Copper	549,125	547,775	2,750	1,400	1,350	46,800	16,625	3.03	123,265
Lead	159,200	159,225	#N/A N/A	25	-25	12,700	14,400	9.05	19,447
Nickel	165,084	165,462	#N/A N/A	378	-378	7,074	5,388	3.26	21,532
Tin	26,215	26,405	325	515	-190	-550	1,715	6.54	12,282
Zinc	499,825	499,825	#N/A N/A	#N/A N/A	0	11,775	4,125	0.83	67,220

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	16,560	16,680	150	Ali Jan'10	-	-	-	-
Copper	56,300	56,320	940	Cu Jan'10	310	312.35	2.15	0.69%
Zinc	18,350	18,320	330					

ZAR metal prices (12 February 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,422	52,054	16,002	141,984	124,058	16,391	7.6935
3-month	16,075	53,310	16,701	145,890	127,116	16,975	7.8225

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)	80.98	0.08	79.78	-1.62	80.20	-1.56	81.65	-1.42	-	-
Gasoil 0.1% Rdam (\$/mt)	586.00	2.25	592.25	2.25	598.00	1.75	617.50	2.25	648.25	-9.50
NWE CIF jet (\$/mt)	641.96	-7.70	647.46	-12.58	654.21	-12.15	676.01	-10.58	-	-
Singapore Kero (\$/bbl)	80.77	0.16	80.33	-1.57	81.05	-1.51	83.35	-1.42	88.05	-1.68
3.5% Rdam barges (\$/mt)	425.61	-9.39	428.50	-7.50	429.25	-7.75	431.50	-7.75	436.25	-9.50
1% Fuel Oil FOB (\$/mt)	440.66	-8.34	443.25	-7.75	446.00	-8.25	462.75	-7.75		
Sing FO 380 Cargo (\$/mt)	446.75	-8.75	448.75	-8.50	450.25	-8.25	453.50	-8.25		
Sing FO180 Cargo (\$/mt)	458.05	-3.95	453.50	-8.75	455.25	-8.50	458.75	-8.25		

Thermal coal	Q2-10		Q3-10		Q4-10		Cal 10		Cal 11	
API2 (CIF ARA)	75.10	1.60	78.90	1.30	83.90	0.90	92.40	0.95	102.15	0.95
API4 (FOB RBCT)	77.80	-0.95	78.50	-0.30	80.30	-1.40	87.10	0.05	94.95	0.35

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.20000	0.22000	0.22500	0.29250	0.47250
Silver	0.60500	0.60500	0.60500	0.60500	0.61500
USD Libor	0.23188	0.24125	0.25000	0.38813	0.85375

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	49.26	1,085.24	1,092.30	1,100.87	1,027.48	1,085.00	1,105.00
Silver	41.15	15.58	16.32	17.38	16.02	15.30	15.70
Platinum	51.69	1,519.42	1,538.17	1,442.73	1,330.00	1,500.00	1,550.00
Palladium	53.39	418.88	427.97	374.59	318.00	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGEX GLD	TOCOM GLD	CBOT GLD
	Feb'10	Mar'10	Mar'10	Apr'10	Feb'10	Dec'10	Feb'10
Settlement	1,096.10	15,5250	419.50	1,511.10	1,094.50	3,182.00	1,089.60
Open Interest	460,743	118,324	22,582	34,550	1,248	107,065	2,728
Change in Open Interest	5,474	247	-245	-453	105	0	-41

Date: 12 February 2010

Sources: Standard Bank; LME; Bloomberg

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