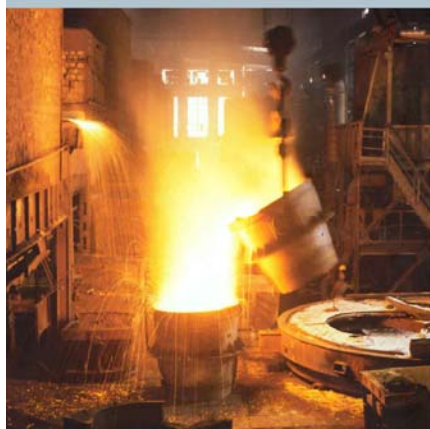


16 February 2010



Focus: LME Copper stocks in Asia starting to decline Overall, copper inventories in LME warehouse are still on an uptrend. Looking in a bit more details however, while inflows into US warehouses are still increasing, European inventories are flat while on-warrant stocks in Asian warehouses have started to decline.

- It's been a busier start for the base metals this morning, with reasonable turnover being seen in copper, aluminium and nickel. A weaker dollar and technical buying has seen much of the complex rally strongly this morning, though aluminium has made heavy going after running into resistance above \$2,080.
- Technical buying has continued to see both lead and nickel perform strongly during Tuesday morning, while the more liquid contracts like copper aluminium and zinc have looked to the dollar for direction.
- Gold continues to rally in Asia amid low volumes. Buy stops were triggered this morning at \$1,106, \$1,110 and \$1,115.
- WTI crude is trading around the \$75 level on the back a slightly weaker dollar. Our general view on currencies is that the euro will test lower against the dollar (\$1.30 as initial target). Markets are volatile and crude oil seems destined for the same volatility. However, we expect crude oil to react less to dollar strength than it has done in recent weeks.

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Commodity price data (15 February 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,066	2,055	2,095	2,066	-1	-0.53%	2,033.00	29	-32.50
Copper	6,865	6,865	7,040	6,900	60	0.00%	6,841.00	75	-18.25
Lead	2,150	2,190	2,243	2,190	17	1.86%	2,135.00	55	-16.00
Nickel	19,025	19,355	19,825	19,150	800	1.73%	19,000.00	545	-70.00
Tin	16,424	16,495	16,751	16,500	300	0.43%	16,400.00	275	-63.00
Zinc	2,200	2,201	2,270	2,220	30	0.05%	2,182.00	52	-9.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	72.62	73.48	73.74	72.55	0.97	1.32%
NYMEX WTI	74.02	74.99	75.23	73.71	0.86	1.15%
ICE Gasoil	588.00	592.25	594.00	587.25	8.25	1.39%
API2 Q1'10	75.10	76.95	-	-	1.85	2.40%
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	1,099.50	1,098.25	1,102.25	1,092.50	1,098.25	9.65	-0.6/-0.2
Silver	-	15.84	15.62	15.49	15.57	0.15	0.5/2.5
Platinum	1,517.00	1,513.00	1,519.00	1,512.00	1,513.00	1.00	-1.5/0.5
Palladium	418.00	418.00	418.00	419.00	418.00	5.00	-1.5/0.5

Sources: Standard Bank; LME; BBG



Focus: LME Copper stocks in Asia starting to decline

Overall, copper inventories in LME warehouse are still on an uptrend. Looking in a bit more details however, while inflows into US warehouses are still increasing, European inventories are flat while on-warrant stocks in Asian warehouses have started to decline.

Around this time last year, albeit when copper prices were some \$3,800/mt lower, Chinese buying activity very quickly saw LME inventories in Asian warehouse dwindle to next to nothing, with inventories in Europe following suit as stockpiling activity and arbitrage-related buying sucked in material.

Premiums for copper in Singapore and South Korea have doubled over the past week to \$50-\$80+/mt while the premium for material in European locations has remained static at \$30-40/mt. The premium for material in Shanghai has also picked up dramatically, coming in at \$140-\$150 on a CIF basis compared to \$90-\$100/mt last week.

Over the past couple of weeks, available inventory in Asian warehouses has started to decline, with the pace of warrant cancellations accelerating. With anecdotal evidence suggesting that stocks of copper in bonded warehouse in China have fallen sharply over the past few weeks. All the signs point to a period of strong Chinese demand after the Chinese New Year.

On that basis, and looking at regional premia, we would expect LME inventories in Asian locations to continue to decline over

Base metals

It's been a busier start for the base metals this morning, with reasonable turnover being seen in copper, aluminium and nickel. A weaker dollar and technical buying has seen much of the complex rally strongly this morning, though aluminium has made heavy going after running into resistance above \$2,080.

After its long weekend, it will be interesting to see how the US market responds to the resurgence in metals prices so far this week. The response may well depend on how the US equity markets perform, though with the market uncertain as to whether the US will jump on the bandwagon, or see the rally as an opportunity to sell, the base metals are trading sideways until the US market enters the fray.

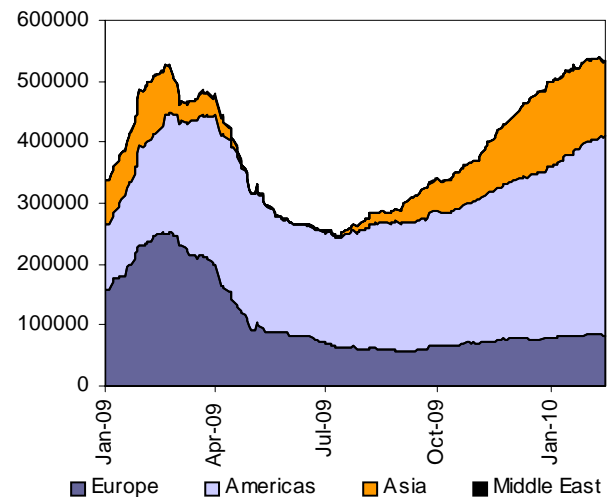
Monday was characterised by thin volumes across the complex. In general, the metals had a burst of activity early on, before drifting sideways to lower thereafter. This was certainly the case for the likes of copper, aluminium and zinc, however lead and nickel both rallied strongly throughout the day, shrugging off the activity elsewhere in the complex as technical buying crept in.

Technical buying has continued to see both lead and nickel perform strongly during Tuesday morning, while the more liquid contracts like copper aluminium and zinc have tended to look to the dollar for direction.

In other news, First Quantum's Kansanshi mine and Equinox Mineral's Lumwana operation have both resumed output after a 4-day power outage. The power line supplying the operations was cut on February 7th due to vandalism, with power being restored 4 days later.

With the launch of the LME's Molybdenum and Cobalt contracts fast approaching, LCH.Clearnet has established the initial margins for both metals. The margin for Molybdenum is \$6,600/mt (~\$3/lb) while the margin for Cobalt is \$5,400/mt

On-warrant LME Copper Stocks by Region



Sources: LME, Standard Bank

the coming months, supporting copper prices.

What is different, is that LME inventories in Europe were not rebuilt over H2-2009. Instead material went into Asian warehouses - in expectation/hope of a recovery in Chinese demand - and the US. Should LME stocks in Asia start to decline sharply, it will therefore be interesting to see at what point this impacts on premiums for material in US warehouses and whether they too are drawn down.

By Leon Westgate

Precious metals

Gold continues to rally in Asia amid low volumes. Buy stops were triggered this morning at \$1,106, \$1,110 and \$1,115.

There is a marked divergence between risk appetite in the US and Europe. US risk appetite seems steadier and healthier than in the Eurozone. We expect this to support the dollar. While currencies, especially the euro, are likely to be volatile in this uncertain environment, we expect more downside for the euro within the next month. While we expect dollar-denominated gold to come under pressure, it may not be the case for euro-denominated gold.

Gold support is at \$1,100 and \$1,1085, resistance is at \$1,123 and \$1,130.

Eurozone new car registrations jump 12.9% y/y in February, largely from a very low base. The y/y growth rate is down from 16.4% in December. However, this data, following US auto sales for January, shows that global auto sales are recovering, and we expect this trend to last — although the growth rate in sales should slow substantially as base effects disappear. We continue to see this as bullish for PGM.

By Walter de Wet

Energy

WTI crude is trading around the \$75 level on the back a slightly weaker dollar. Our general view on currencies is that the euro will test lower against the dollar (\$1.30 as initial target). Markets are volatile and crude oil seems destined for the same volatility.

However, **we expect crude oil to react less to dollar strength than it has done in recent weeks.** CFTC data indicates that speculative positions as a percentage of open interest for WTI (and other commodities) have declined substantially in the past few weeks already. Net speculative length for WTI as percentage of open interest is at 3.2% (down from 10.5% five weeks ago). It is clear that most of the long positions have been liquidated already. On average, since November last year, the fall in crude oil when the dollar appreciated is smaller than the rise in crude oil when the dollar depreciated. As a result, we favour long position in WTI, denominated in euro (*Commodities Daily* dated 10 February 2010).

Atlantic Basin market fundamentals have tightened slightly with cold weather in the US and northern Europe, as well as the looming British and German refinery maintenance season which begins at the end of Q1. While we doubt it could push crude higher on its own, the cold weather should support crude and product on the downside.

Thermal coal prices are under pressure but should find support from WTI. Overall we expect problems in Europe to weigh on thermal coal. However, we expect the Eurozone economic problems to cap any major rallies rather than push prices much lower. API2 for delivery in Feb closed at \$73.75 yesterday.

By Walter de Wet

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	-	25	-25	12,700	14,400	9.05	19,447
Nickel	165,084	165,462	-	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	-	-	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	-	-	-	Ali Jan'10	-	-	-	-
Copper	-	-	-	Cu Jan'10	-	-	-	-
Zinc	-	-	-					

ZAR metal prices (15 February 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,658	52,689	16,444	146,338	126,313	16,806	7.7020
3-month	16,096	53,769	17,153	151,596	129,195	17,239	7.8324

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)	592.25	8.25	598.25	8.25	604.75	8.25	615.50	0.25	649.25	1.00
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	0.22875	0.24000	0.25000	0.38813	0.85125

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	52.45	1,085.95	1,091.47	1,102.16	1,028.47	1,085.00	1,105.00
Silver	43.43	15.50	16.18	17.38	16.02	15.30	15.70
Platinum	53.54	1,515.05	1,532.75	1,445.40	1,332.01	1,500.00	1,550.00
Palladium	55.89	418.00	426.32	376.05	319.00	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGDX GLD	TOCOM GLD	CBOT GLD
	Feb'10	Mar'10	Mar'10	Apr'10	Feb'10	Dec'10	Feb'10
Settlement	1,116.80	15,8350	430.00	1,511.10	1,116.60	3,235.00	1,116.30
Open Interest	463,295	119,828	22,883	35,170	1,248	107,065	2,728
Change in Open Interest	-2,552	-1,504	-301	-620	0	0	0

Date: 15 February 2010

Sources: Standard Bank; LME; Bloomberg

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