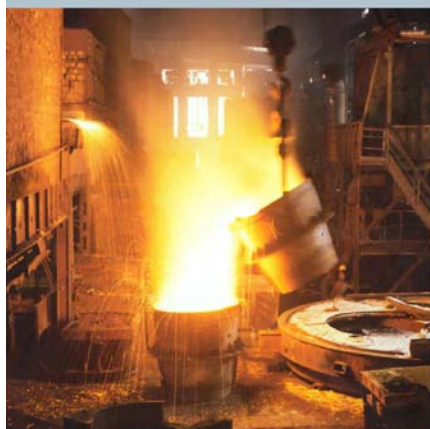


22 February 2010

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Focus: Speculative interest rising — but still low For gold and silver, the relatively low level of speculative interest indicates that both metals are set to be less sensitive to dollar *appreciation* than dollar *depreciation*. We expect more strength in the dollar in the next few weeks (initial target at \$1.30 against the euro).

- SHFE copper prices jumped higher this morning as the Chinese market returned from its week-off. The move was essentially Chinese profit taking on arbitrage positions put on just before the New Year Holiday period (unwinding of long LME/short SHFE), coupled with an element of catch up with LME prices.
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- Low rates should benefit precious metals — especially gold. We still favour gold in euro. Silver support is still holding up well after the rally of the past week; we still believe that silver could outperform gold. As for platinum and palladium, we continue to favour buying the dips.
- Crude oil remains firmly in dollar-watching mode this morning, with front month WTI coming under pressure heading into the afternoon, in line with a slightly stronger dollar. WTI initially rallied overnight, but after running out of steam around \$80.50, prices have drifted back towards Friday's closing levels.

Commodity price data (19 February 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,105	2,139	2,153	2,128	25	1.62%	2,072.00	-5	-33.60
Copper	7,215	7,433	7,420	7,315	125	3.02%	7,193.00	107	-25.75
Lead	2,310	2,359	2,368	2,315	40	2.12%	2,289.50	50	-22.25
Nickel	20,330	20,730	20,750	20,400	275	1.97%	20,210.00	-25	-76.00
Tin	16,940	17,000	17,000	16,900	-110	0.35%	16,900.00	245	-66.00
Zinc	2,298	2,365	2,365	2,295	50	2.92%	2,261.00	11	-23.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.44	78.26	78.94	77.89	0.07	0.09%
NYMEX WTI	80.10	79.92	80.51	79.62	0.11	0.14%
ICE Gasoil	638.00	637.00	643.75	634.00	6.00	0.94%
API2 Q1'10	78.55	76.00	-	-	-2.55	-3.36%
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	1,107.00	1,112.75	1,126.70	1,099.50	1,121.70	3.70	.1/1.5
Silver	-	16.43	16.48	15.78	16.40	0.36	-1/1
Platinum	1,506.00	1,513.00	1,544.00	1,504.00	1,542.00	18.00	-.5/1.5
Palladium	428.00	435.00	445.00	429.00	441.00	7.00	-1/1

Sources: Standard Bank; LME; BBG



Focus: Speculative interest rising — but still low

Speculative length for metals and crude oil increased last week. Despite this increase, speculative length remains well below that of the past few months.

Gold has seen net speculative length on COMEX rise from 29.8% of open interest (OI) to 31.7% — still well below the 42% of OI seen in Sep 2009. The net speculative long position now stands at 622 tonnes — 300 tonnes lower than the highs reached in October 2009.

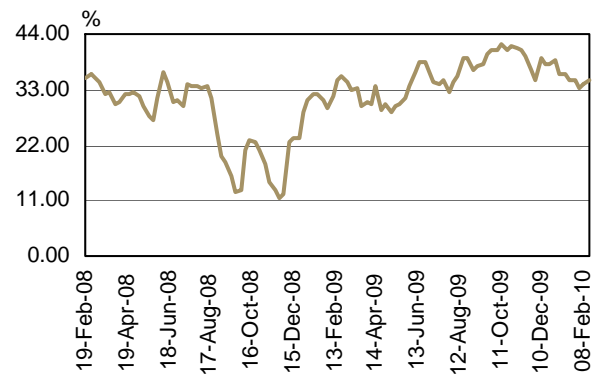
For silver, the picture is similar — speculative length is only marginally higher, at 17.3% of OI (16.1% the previous week).

For gold and silver, the relatively low level of speculative interest indicates that both metals are set to be less sensitive to dollar *appreciation* than dollar *depreciation*. We expect more strength in the dollar in the next few weeks (initial target at \$1.30 against the euro). Because speculative length is low and we expect more dollar strength, **we still favour gold and silver in euro**. We would look for a large rally in gold and silver (in dollar terms) once the dollar starts to depreciate again.

WTI crude saw speculative interest rise from 3.2% of OI to 5.3% last week. The speculative length in WTI does not look overextended yet, but we may be getting closer to this level. Speculative length reached 10.4% of OI in January before prices declined from \$84 to \$70. Average speculative length as a percent of OI over the past 12 months was 3.7%.

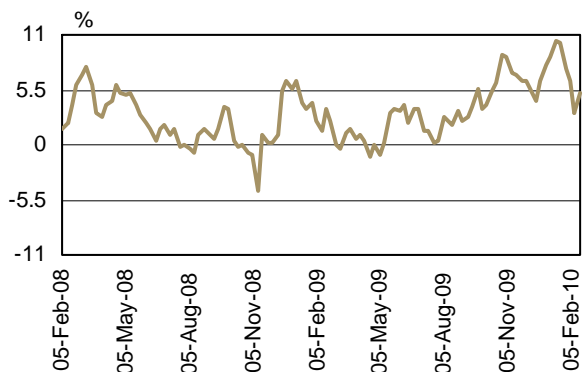
By Walter de Wet

COMEX gold non-commercial position as a % of OI



Sources: CFTC; Standard Bank

NYMEX WTI non-commercial position as a % of OI



Sources: CFTC; Standard Bank

Base metals

SHFE copper prices jumped higher this morning as the Chinese market returned from its week-off. The move was essentially Chinese profit taking on arbitrage positions put on just before the New Year Holiday period (unwinding of long LME/short SHFE), coupled with an element of catch up with LME prices.

As a consequence, although the SHFE May-10 copper contract (most liquid) climbed 4.6%, LME copper prices initially came under pressure. Copper has since stabilised and picked up from its lows, with good volumes also building up. After a poor start, the rest of the base metals complex has also found its feet heading into the afternoon, albeit on fairly thin volumes.

The base metals finished last week very strongly, with the recovery in prices after a bad start to the day, being derived mainly from a strong showing in the US equity markets. The recovery triggered short covering in copper and zinc particularly, and saw everything, bar tin, make solid gains. With little in the way of data for the market to get its teeth into today, it is likely the equity markets will again dictate direction this afternoon.

Inventory-wise, headline nickel stocks fell 1,068 mt this morning, the main location for the draws being Singapore and Gwangyang, South Korea. Cancelled warrants also picked up in Rotterdam. Nickel stocks have been declining steadily since mid February indicating a pick up in interest. This is a positive sign for prices, however, rather than get carried away we note that inventories are still only back where they were at end-January.

Meanwhile, the LME's Cobalt and Molybdenum contracts both started trading today. Interest in the contracts has been modest so far, with the markets finding their LME feet. Nevertheless, both metals have traded this morning with molybdenum's first trade coming in at \$35,000/mt and cobalt at \$41,800/mt. Of the two metals, cobalt has been by far the busiest, with over 20 lots trading on LME Select by 1pm London time, compared to 66 lots for Tin.

By Leon Westgate

Precious metals

US CPI came in very soft on Friday, illustrating few inflationary pressures in the US. In fact, m/m core inflation declined by 0.1%. Despite initial market fears about monetary tightening after the Fed had raised the discount rate on Thursday, from an inflationary perspective, we see no pressure to raise the fed funds rate yet. Low rates should benefit precious metals — especially gold.

Gold is testing the \$1,024 – \$1,026 resistance level again; it had failed to break above this level on Friday. Although it has moved as high as \$1,030 this morning, it was in very illiquid trade. As a result, the metal fell back to \$1,122. In dollar terms, gold is still struggling to sustain rallies — we expect this to continue to be the case. We still favour gold in euro. Gold support is at \$1,098 and \$1,091, resistance is at \$1,125 and \$1,135.

Silver support is still holding up well after the rally of the past week. We still believe that silver could outperform gold. Silver support is at 15.68 and \$15.50, resistance at \$16.20 and \$16.51.

Platinum and palladium are well bid, benefiting from higher equities. Platinum support is at \$1,520 and resistance at \$1,550. Palladium support is at \$425 and resistance at \$450. We continue to favour buying the dips for both metals. We continue to see a recovery in auto sales data, with January auto sales in Japan, the US, Europe and China up 36% y/y. Admittedly, January 2009 was a very poor month for auto sales, and the figure is inflated due to the base effect; the recovery in auto sales is indeed ongoing.

By Walter de Wet

Energy

Crude oil remains firmly in dollar-watching mode this morning, with front month WTI coming under pressure heading into the afternoon, in line with a slightly stronger dollar. WTI initially rallied overnight, but after running out of steam around \$80.50, prices have drifted back towards Friday's closing levels.

Overall however, crude oil remains very much rangebound and dependent on technical signals. In addition to those technical signals however, the dollar and US equity markets will likely continue to dominate short term price direction, particularly on days like this where there is an absence of data for the market to focus on.

In other news, the Algerian Oil Minister has said that OPEC is unlikely to change its oil production targets at its March 17th meeting. Meanwhile, the US Energy Secretary Steven Chu has said that the US wants to import less oil. How long this stated goal takes to achieve however, is a different matter.

Coal had a solid end to last week, bolstered by the recovery in crude oil and the rally in the wider commodities complex. API2 for Q2-10 climbing \$0.50 to \$76.75 and API4 for the same date climbing \$1.05 to \$81.40/mt. Given that China has been on holiday and the physical market has been quiet, coal prices have actually been pretty stable. For example, API2 for "q delivery rallied 2.2% last week, compared with where prices closed on Friday 12th, not bad going all things considered.

Meanwhile, coal prices at China's Qinhuangdao, port fell for a third week in a row, due to the factor shutdown for Chinese New Year and as the winter weather conditions eased. The expected pick up in economic activity following the holiday period should however see Chinese coal prices pick up again over the next couple of weeks.

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	4,591,375	4,598,650	350	7,625	-7,275	-37,525	302,025	6.58	136,352
Copper	555,025	554,775	1,675	1,425	250	52,700	17,175	3.09	124,422
Lead	160,600	160,250	350	-	350	14,100	14,300	8.90	25,264
Nickel	162,474	163,542	-	1,068	-1,068	4,464	4,986	3.07	30,682
Tin	25,615	25,850	100	335	-235	-1,150	1,790	6.99	5,239
Zinc	540,925	541,300	-	375	-375	52,875	5,400	1.00	58,356

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	17,180	16,870	190
Copper	59,900	59,260	2,940
Zinc	19,480	18,970	650

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Mar'10	-	-	-	-
Cu Mar'10	338	335.05	-2.85	-0.84%

ZAR metal prices (19 February 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,954	55,386	17,629	155,617	130,130	17,410	7.7000
3-month	16,743	58,182	18,465	162,264	133,068	18,512	7.8275

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)	81.79	0.33	85.49	0.62	86.00	0.65	87.47	0.55		
Gasoil 0.1% Rdam (\$/mt)	637.00	6.00	642.25	6.00	648.00	6.25	664.75	5.75		
NWE CIF jet (\$/mt)	663.31	2.10	699.17	7.67	704.43	6.82	722.17	6.08		
Singapore Kero (\$/bbl)	81.80	0.38	86.14	0.67	86.90	0.65	89.12	0.55		
3.5% Rdam barges (\$/mt)	435.29	0.45	450.25	4.25	451.50	4.00	454.25	4.00		
1% Fuel Oil FOB (\$/mt)	448.23	-1.05	464.00	4.50	467.50	4.25	485.00	3.75		
Sing FO 380 Cargo (\$/mt)	468.75	4.25	470.50	3.50	472.75	4.00	476.25	4.00		
Sing FO180 Cargo (\$/mt)	460.83	1.02	476.25	4.25	478.00	4.25	481.50	4.00		

Thermal coal	Q2-10		Q3-10		Q4-10		Cal 10		Cal 11	
API2 (CIF ARA)	76.75	0.50	80.75	0.30	85.75	0.40	94.55	0.30	104.65	0.90
API4 (FOB RBCT)	81.40	1.05	80.25	0.04	82.25	0.40	88.80	0.15	97.55	0.90

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.18600	0.20600	0.22200	0.29800	0.48000
Silver	0.58400	0.58400	0.59400	0.60400	0.62400
USD Libor	0.22875	0.24000	0.25194	0.39531	0.87750

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	53.11	1,101.61	1,094.60	1,106.48	1,032.25	1,100.00	1,120.00
Silver	47.71	15.80	15.94	17.37	16.07	15.30	15.70
Platinum	53.50	1,523.33	1,522.92	1,455.09	1,340.26	1,500.00	1,552.00
Palladium	57.99	427.42	424.14	381.72	323.25	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGXX GLD	TOCOM GLD	CBOT GLD
	Feb'10	Mar'10	Mar'10	Apr'10	Feb'10	Dec'10	Feb'10
Settlement	1,123.10	16.4500	442.80	1,543.60	1,122.80	3,310.00	1,122.60
Open Interest	469,348	119,101	22,464	33,971	1,502	102,653	2,664
Change in Open Interest	-12,431	-428	174	1,114	-168	2,527	76

Date: 19 February 2010

Sources: Standard Bank; LME; Bloomberg

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