

**Focus: Chinese base metal imports** The latest Chinese base metal import figures held few surprises. Imports of refined copper were down on December levels, reflecting the narrowing in the arbitrage around mid-November. Given the widening arbitrage between the SHFE and LME towards the end of December and throughout January and early February, we would expect refined copper imports to pick up strongly again in March.

- There are renewed concerns in the sovereign debt market about a possible downgrade of Greece's debt. A rise in credit risk should be supportive of gold. We expect the impact of dollar strength on the gold price to dominate the impact of greater credit risk on the gold price.
- Dollar strength should keep nearby crude prices under pressure in coming days. However, any weakness in price should be concentrated in nearby prices and that prices further along the curve will remain steadier.
- This morning has seen the base metals come under pressure once again. A stronger dollar is weighing on prices a little, however the main factor appears to be a complete lack of direction. There is very little to get the market enthused about, and, as a result, the metals are drifting.

**Walter de Wet\* CFA**

+44 (20) 3145 6821

Walter.DeWet@standardbank.com

**Leon Westgate\***

+44 (20) 7626 6004

Leon.Westgate@standardbank.com

**Commodity price data (24 February 2010)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,112	2,138	2,142	2,120	11	1.23%	2,079.00	-39	-34.50
Copper	7,061	7,154	7,240	7,088	23	1.32%	7,032.00	-195	-30.00
Lead	2,190	2,220	2,254	2,180	-20	1.37%	2,167.50	-128	-24.00
Nickel	20,200	20,475	20,699	20,250	275	1.36%	20,065.00	-365	-79.00
Tin	16,750	16,975	17,165	16,895	150	1.34%	16,660.00	-340	-73.00
Zinc	2,175	2,204	2,250	2,177	-16	1.33%	2,157.00	-69	-24.50

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.74	77.80	78.42	77.58	-0.29	-0.37%
NYMEX WTI	80.28	79.63	80.32	79.42	-0.37	-0.46%
ICE Gasoil	629.50	629.75	635.00	628.50	-1.00	-0.16%
API2 Q1'10	76.50	76.80	-	-	0.30	0.39%
EUA Dec10	12.78	12.99	-	-	0.21	1.64%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,093.00	1,103.00	1,108.20	1,096.00	1,096.80	-6.20	0.1/0.5
Silver	-	15.80	15.98	15.70	15.94	0.08	-2/0
Platinum	1,497.00	1,504.00	1,520.00	1,508.00	1,508.00	1.00	-.5/1.5
Palladium	429.00	427.00	432.00	422.00	424.00	-8.00	-1/1

Sources: Standard Bank; LME; BBG



### Focus: Chinese base metal imports

The latest Chinese base metal import figures held few surprises. Imports of refined copper were down on December levels, reflecting the narrowing in the arbitrage around mid-November.

Copper scrap imports were also lower in m-o-m terms in January, but are substantially higher in y-o-y terms, reflecting the greater supply of scrap - due primarily to the recovery in prices. Improved availability of copper scrap should reduce the dependency on refined copper that was a feature of the market early in 2009.

That said, given the widening arbitrage between the SHFE and LME towards the end of December and throughout January and early February, we would expect refined copper imports to pick up strongly again in March.

Elsewhere, net imports of refined zinc jumped in January to 19.2 kt from only 6.9 kt in December, with the change due to a combination of higher imports and lower exports.

The December-January period is usually a much weaker period for zinc imports. Interestingly however, the January 2010 import figure is the highest January figure on record and likely reflects the sizeable arbitrage that opened up towards the end of last year. Whether that pace of zinc imports can be maintained over the coming months remains to be seen, however typically, zinc imports continue to build in February and reach their peak during March-May.

By Leon Westgate

## Base metals

The base metals had a bumpy ride on Wednesday, coming under pressure in the morning before rallying in the afternoon on the back of stronger US equity markets. Very poor US New Home Sales figures (-11.2%) caused a blip during the afternoon, however, Ben Bernanke's testimony to Congress - essentially saying that interest rates will have to remain low in order to avoid snuffing out the nascent recovery - reassured the equity markets and saw stocks rally.

This morning has seen the base metals come under pressure once again. A stronger dollar is weighing on prices a little, however the main factor appears to be a complete lack of direction. There is very little to get the market enthused about, and, as a result, the metals are drifting.

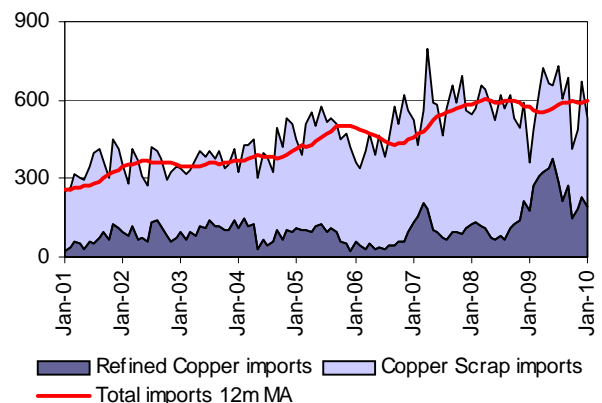
This afternoon sees the release of the US Durable Goods Orders which are expected to come in at +1.5%. Orders excluding transport are expected to be +1.0%. The Durable Goods figures have the potential to impact on prices, particularly if they are significantly out of line with expectations. Barring a significant deviation from consensus however, the metals will likely look to the US equity markets again this afternoon.

National Aluminium Co. of India (NALCO) expects to start construction of its \$4 billion smelting project in Indonesia by June. The project will take 3-4 years to complete and includes a 500 ktpy capacity smelter and a 1,250 megawatt coal fired power station.

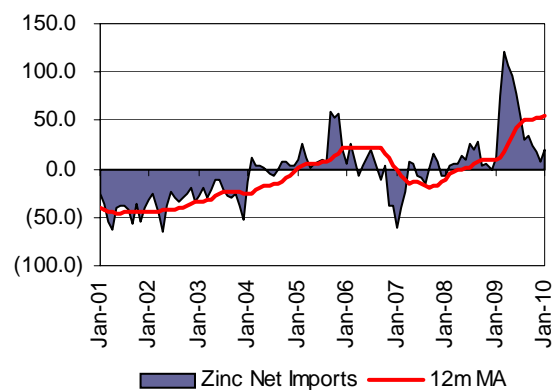
In other news, Ivernia Inc is re-starting its Magellan lead mine in Australia. The processing plant re-started earlier this week and is currently working through around 7 weeks of stockpiled ore at the plant, with mining expected to begin next month. The company expected to produce 60 kt of lead concentrate this year, increasing to 85 kt of concentrate per year from 2011.

By Leon Westgate

Chinese net imports of refined copper and copper scrap



Chinese net Zinc imports



Sources: Chinese Customs, Standard Bank, MBK.

## Precious metals

Gold remains below \$1,100 and we expect it to struggle to break above \$1,100 this week. Gold is now finding support at \$1,089. A break lower could see gold test \$1,080.

There are renewed concerns in the sovereign debt market about a possible downgrade of Greece's debt. A rise in credit risk should be supportive of gold. However, we still expect the dollar to draw strength from the Eurozone's woes. We expect the impact of dollar strength on the gold price to dominate the impact of greater credit risk on the gold price.

There has been a sharp turn-around in US bond yields as well, with the 10-year government bond yield declining from 3.80% yesterday morning to 3.65% this morning. Declining yields are generally consistent with dollar strength.

While we expect gold to remain under pressure in coming weeks, we still believe the metal will test higher in H2:10. Mr Bernanke yesterday confirmed low interest rates for an extended period of time in the US. Low rates are bullish for gold.

Platinum is not giving in to a break below \$1,500. It may do so on dollar strength — but we believe those dips will be bought. We believe that platinum and palladium will move higher. ETF holdings for both metals continue to increase steadily. At the same time, production costs continue to rise. ETF holdings for platinum are at 928,870oz and palladium at 1,595,121oz (up 16,343oz and 19,521oz for platinum and palladium respectively from a week ago). Platinum support is at \$1,492 and resistance at \$1,523 and \$1,538. Palladium support is at \$417 and resistance at \$431.

**By Walter de Wet**

## Energy

Although WTI crude briefly pushed above \$80 yesterday, it is heading down this morning. We believe front-month prices will find it difficult to sustain a rally above \$80 just yet. Dollar strength should keep nearby prices under pressure in coming days, as renewed fears over Greece should favour dollar strength. However, any weakness in price should be concentrated in nearby prices and that prices further along the curve will remain steadier. WTI time-spreads strengthened over the past 10 days. Some weakness might set in if risk appetite declines and the dollar strengthens.

We believe, on balance, that yesterday's DOE inventory report is bullish. The report showed another large rise in crude oil inventories (of 3,034K bbls) despite refinery utilization rates climbing from 77% three weeks ago to 80.8% last week — this is bearish. However, the fact that product inventory declined (gasoline by 895K and distillates by 591K) despite refinery utilization rising is a bullish sign. Crude inventory at Cushing has declined for the 7th straight week — also a bullish sign.

Although we expect crude oil to come under pressure in coming days, the steady decline in product inventory (especially distillate inventory measured on a days forward cover basis) spells higher crude prices later this year.

Crack spreads remain high on the back of higher refined product prices. The strike at Total SA's refineries in France continues to support product prices.

Coal prices strengthened across the curve on the back of a stronger energy complex. However, random supply problems continue to provide support for thermal coal. In China, the Qinhuangdao port (China's largest coal port) had to close for 24 hours due to bad weather. We expect nearby crude oil prices to come under pressure, which may put downward pressure on thermal coal as well.

**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	4,579,875	4,583,875	1,275	5,275	-4,000	-49,025	304,600	6.65	239,097
Copper	550,225	552,675	150	2,600	-2,450	47,900	16,600	3.02	109,436
Lead	163,025	161,975	1,125	75	1,050	16,525	13,900	8.53	31,015
Nickel	161,742	160,830	1,068	156	912	3,732	3,756	2.32	23,134
Tin	24,840	24,910	15	85	-70	-1,925	1,170	4.71	7,595
Zinc	542,350	542,075	875	600	275	54,300	4,350	0.80	59,675

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,850	16,880	5
Copper	58,300	58,280	240
Zinc	18,450	18,510	120

### COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Mar'10	-	-	-	-
Cu Mar'10	325	322.70	-2.65	-0.81%

### ZAR metal prices (24 February 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,154	54,639	16,841	155,905	129,448	16,760	7.7700
3-month	16,899	56,547	17,548	161,841	134,175	17,421	7.9043

## 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)	82.33	-0.24	85.57	0.36	85.99	0.36	87.51	0.53		
Gasoil 0.1% Rdam (\$/mt)	629.50	-1.25	634.25	-1.50	640.00	-1.50	658.50	3.00		
NWE CIF jet (\$/mt)	664.30	0.34	697.76	1.91	702.99	2.68	720.67	2.67		
Singapore Kero (\$/bbl)	82.29	-0.25	86.17	0.46	86.84	0.41	89.16	0.50		
3.5% Rdam barges (\$/mt)	436.26	0.48	453.00	3.75	453.75	3.75	456.75	4.25		
1% Fuel Oil FOB (\$/mt)	448.74	0.26	461.75	3.25	466.50	2.75	483.00	3.25		
Sing FO 380 Cargo (\$/mt)	473.25	3.50	474.75	3.25	476.25	3.50	478.50	3.75		
Sing FO180 Cargo (\$/mt)	463.66	-1.06	479.25	3.25	480.75	3.50	484.25	4.00		

Thermal coal	Q2-10		Q3-10		Q4-10		Cal 10		Cal 11	
API2 (CIF ARA)	76.80	0.30	80.60	0.60	85.40	0.50	94.80	0.90	105.55	1.10
API4 (FOB RBCT)	82.50	0.30	81.90	0.70	83.20	0.45	89.90	0.75	98.45	0.90

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.21000	0.22200	0.24400	0.30000	0.48800
Silver	0.57600	0.57600	0.57600	0.57600	0.57600
USD Libor	0.22875	0.24000	0.25194	0.39375	0.86688

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	48.45	1,105.75	1,095.33	1,107.94	1,034.60	1,085.00	1,105.00
Silver	44.25	15.91	15.84	17.32	16.09	16.30	16.90
Platinum	50.69	1,520.76	1,521.40	1,460.39	1,345.65	1,500.00	1,550.00
Palladium	52.03	429.40	424.86	385.04	326.10	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	1,092.90	15,7900	420.00	1,507.30	1,092.50	3,153.00	1,092.50
Open Interest	466,572	117,376	23,459	34,991	1,325	98,751	2,943
Change in Open Interest	-1,786	593	-994	-97	49	1,169	97

Date: 24 February 2010

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 2010 Standard Bank Group. All rights reserved.