

Commodities

Commodities: Daily



6 January 2011

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- Gold had another volatile trading session on Wednesday, dropping below \$1,370/oz before recovering to close just below \$1,380/oz. The metal has failed to hang onto its gains however, and after trading sideways during overnight trade on Thursday, has come back under pressure from a stronger US dollar and is again trading below \$1,370 heading into the afternoon.
- Oil received a boost from the weekly DOE inventory report yesterday. Front-month WTI gained 92c/bbl to settle at \$90.30/bbl, while front-month Brent jumped by \$1.97/bbl to close at \$95.50/bbl. This saw the WTI/Brent spread widen to \$5.17/bbl on yesterday's close, the widest gap since May 2010. RBOB and Heating Oil cracks also moved higher. Despite the flat price gains in both crude and products, most term structures continued to weaken yesterday.

Commodity price data (05 January 2011)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,454	2,463	2,470	2,451	-22	-0.89%	2,445.50	-27	-11.25
Copper	9,429	9,540	9,551	9,429	-40	-0.42%	9,461.00	-293	37.00
Lead	2,541	2,660	2,670	2,541	51	1.95%	2,569.00	-24	21.00
Nickel	24,600	24,700	24,900	24,599	-455	-1.81%	24,650.00	-525	10.00
Tin	25,850	26,225	26,225	25,850	-125	-0.47%	26,095.00	-1,105	35.00
Zinc	2,415	2,463	2,464	2,415	-7	-0.28%	2,409.00	-62	-7.00

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	95.70	95.19	95.70	95.14	-0.31	-0.33%	-	-	-
NYMEX WTI	90.47	89.90	90.71	89.77	-0.40	-0.44%	-	-	-
ICE Gasoil	781.00	779.50	782.75	779.00	2.00	0.26%	-	-	-
API2 Q1'11	126.25	122.50	-	-	-3.75	-3.06%	-	-	-
ICE EUA Spot	14.12	14.19	-	-	0.07	0.50%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,382.75	1,368.00	1,384.50	1,364.70	1,373.80	-11.40	0.00/0.30
Silver	-	29.31	29.85	28.60	29.16	-0.04	1.00/3.00
Platinum	1,735.00	1,722.00	1,748.00	1,700.00	1,720.00	19.00	0.0/2.0
Palladium	764.00	754.00	778.00	754.00	770.00	20.00	-1.0/1.0

Sources: Standard Bank; LME; BBG

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Base metals

The base metals had a choppy day on Wednesday, coming under pressure initially then rallying strongly late on. Yesterday afternoon's momentum has failed to carry on into Thursday however, with momentum fading again. Asian trade was very quiet indeed, with the metals continuing to see disappointing volume heading into the afternoon. Dips continue to see decent interest emerge, however the market also seems unwilling to chase prices higher.

The one exception perhaps is lead, which burst into life yesterday afternoon following an announcement from Ivernia Inc that it is declaring force majeure on lead deliveries from its Magellan mine, and also that it is halting production at the operation while the current stop order on exports is in place. The metal surged through \$2,600 during the late afternoon, triggering stops on the way as it finished the day at \$2,660. After a steady start, the metal has continued to climb heading into Thursday afternoon, though the move appears to be mainly technical in nature.

While Magellan is a major mine, accounting for around 2% of global mined production when at full capacity (~85 ktpy of metal in concentrates), the key remains the duration of any closure. Unlike the previous long-term shutdown, which followed a bird poisoning incident at the port of Esperance, public health does not appear to be an issue this time around. The shutdown is an additional bullish factor for the lead market, however we note that the mine workforce is being kept on in preparation for a rapid re-start, and we would be wary about getting too carried away just on the back of this incident alone.

Elsewhere, copper rebounded strongly on Wednesday afternoon. Dip-buying stopped the rot, with solid US data then giving the metal, and sentiment generally, a boost. Copper has struggled to push higher on Thursday however, with a very quiet overnight trading session seeing prices drift back below \$9,600. On-warrant copper stocks have continued to come under pressure, falling 3,075 mt this morning. Chicago is again the main focus for the activity with a 3,550 mt jump in cancelled warrants.

In other news, German Factory Orders for November surged higher, gaining 5.2% compared to consensus expectations of a 0.9% increase. Interestingly however, the numbers were driven by foreign orders at 8.2%. Domestic orders were solid at 1.5%, however euro-zone orders fell 1.4%. The numbers are positive for Germany, and underscore the non-Eurozone economic recovery, but also underline the difficulties being experienced within the euro-block at large. Tomorrow's US non-farm payrolls continue to be the main focus of the market however, with the market anticipating a 150K increase in December.

Looking a bit further ahead perhaps, we have noticed a sharp increase in the number of stories and quotes regarding the cooling of China's economy and the reining-back of money supply. The reports have taken the wind out of the Chinese equity markets over recent days, and are perhaps another factor behind the low overnight volumes seen in the industrial metals complex. Consequently, the uncertainty, combined with the rapidly approaching holiday period, is likely to see Chinese participants remain on the sidelines until after the Chinese New Year holidays (February 2nd to the 8th).

Precious metals

Gold had another volatile trading session on Wednesday, dropping below \$1,370/oz before recovering to close just below \$1,380/oz. The metal has failed to hang onto its gains however, and after trading sideways during overnight trade on Thursday, has come back under pressure from a stronger US dollar and is again trading below \$1,370 heading into the afternoon.

The waning safe-haven interest in gold and silver is reflected in the recent changes in ETF holdings, with the SPDR Gold Trust holdings falling by 3.79 mt to 1,272 mt - the lowest since last June, while iShares Silver Trust holdings fell by 4.38 mt to 10,917 mt. All it takes is another little wobble in confidence to see the interest come back, however, for the moment the current run of solid macroeconomic data is pushing those lingering concerns over Europe and inflation into the background.

The fall in gold prices has seen increased physical demand emerge however, with the drop below \$1,390 sparking significant interest. This should help lend background support to prices.

Platinum also came under heavy pressure on Wednesday, but did manage to claw back some of its losses towards the close, ending the day at \$1,728.50/oz. Since then, the metal has managed to hold firm, trading sideways into the afternoon. In contrast, palladium managed to recover all of its early losses on Wednesday, but has since received a bit of a kicking during Thursday morning.

Volumes for both platinum and palladium are rather subdued, exacerbating some of the price movement, though essentially the price action for the two metals over the past 24 hours or so have balanced out. What is clear however is that the market is rather jumpy. Concerns over China and possible tightening measures appear to be the main worry, while a stronger dollar is also having a tertiary impact.

By Leon Westgate

Energy

Oil received a boost from the weekly DOE inventory report yesterday. Front-month WTI gained 92c/bbl to settle at \$90.30/bbl, while front-month Brent jumped by \$1.97/bbl to close at \$95.50/bbl. This saw the WTI/Brent spread widen to \$5.17/bbl on yesterday's close, the widest gap since May 2010. RBOB and Heating Oil cracks also moved higher. Despite the flat price gains in both crude and products, most term structures continued to weaken yesterday.

The DOE inventory changes for crude/gasoline/distillates came in at -4.2/+3.3/+1.1 mbbbls yesterday, versus our forecast of -2.8/+2.5/+1.0 mbbbls. As we anticipated in yesterday's report, a smaller build in product stocks than that reported by API did give the market a boost. However, the underlying numbers between the DOE report and the API numbers from the day before appear to be much closer than the headlines suggest. Both reports showed almost identical level of crude imports and similar falls in implied demand for gasoline and distillates, which to a large extent were weather-related.

The DOE report yesterday also showed a crude build in Cushing of 0.9 mbbbl, which brings the total Cushing crude inventories to 37.5 mbbbl. For comparison, the DOE reported that Cushing had a storage capacity of 45.8 mbbbls as of 30th of September 2010, although it has also been reported to be as high as 56 mbbbl from other industrial sources. Given the current positive returns on storage, we expect Cushing stocks continue to increase.

According the DOE data, US inventories for crude, gasoline, distillates and total liquid oil all ended 2010 at their respective new historical highs. However, in terms of days of supply, most of the oils are about 1 day lower than the last week of 2009, reflecting higher demand. Despite the dip in product demand during the last week, there has been an upward trend in oil demand during the last two months of 2010.

In the financial markets, US dollar jumped by around 1% yesterday after the ADP National Employment Report released a 297k rise in employment, way above the 100k level that the market had expected. The main focus of the market remains the non-farm payroll numbers tomorrow, with consensus estimates looking for a 150K increase in December.

From tomorrow, many major commodity indices will start their annual re-balancing activities. Among them, the S&P GSCI is set to reduce the percentage of WTI in their index composition but increase percentages of Brent, ICE Gasoil, Nymex RBOB and Heating Oil from those of 2010. The DJ UBS Commodity Index is to increase its crude oil weighting by 0.37% than that of 2010. The rebalancing period is well flagged and as such, some of the recent moves in the market are likely to reflect the anticipated rebalancing to some extent.

By James Zhang

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	4,274,875	4,273,950	5,450	4,525	925	-2,175	193,125	4.52	209,742
Copper	379,400	379,250	625	475	150	1,850	28,175	7.43	167,468
Lead	209,850	209,900	325	375	-50	1,575	7,450	3.55	40,027
Nickel	137,040	136,860	204	24	180	1,368	4,818	3.52	33,084
Tin	16,555	16,485	70	0	70	280	395	2.39	11,447
Zinc	701,125	701,325	0	200	-200	-300	1,700	0.24	122,683

Shanghai 3-month forward prices

Metal	Open	Last	1d Chnge
Aluminium	16,870	16,950	115
Copper	71,450	71,690	870
Zinc	19,540	19,610	245

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Mar'11	-	-	-	-
Cu Mar'11	441	438.65	-2.15	-0.49%

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,478	63,748	17,310	166,092	175,828	16,232	6.7380
3-month	16,814	65,127	18,159	168,619	179,030	16,814	6.8267

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)	104.85	1.10	105.70	1.59	106.03	1.62	107.45	1.82	109.38	2.10
Gasoil 0.1% Rdam (\$/mt)	779.50	2.00	785.25	1.75	789.75	1.75	799.25	1.00	815.75	1.75
NWE CIF jet (\$/mt)	858.76	12.32	860.93	10.84	864.43	9.84	877.23	10.50	891.86	11.75
Singapore Kero (\$/bbl)	105.40	1.14	106.90	1.79	107.28	1.77	108.85	1.97	111.29	2.20
3.5% Rdam barges (\$/mt)	504.25	15.00	504.23	15.26	504.97	15.11	507.72	14.07	514.37	14.30
1% Fuel Oil FOB (\$/mt)	513.00	12.75	513.48	12.76	517.72	13.11	524.47	11.57		
Sing FO180 Cargo (\$/mt)	530.75	14.00	531.23	14.51	531.72	14.61	534.22	13.57		
Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	122.50	-3.75	118.10	-2.95	116.10	-2.20	118.25	-2.65	117.25	-2.15
API4 (FOB RBCT)	122.70	-4.25	118.10	-2.95	115.10	-2.00	117.30	-2.80	113.95	-1.45

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.43800	0.44800	0.46600	0.56000	0.69800		
Silver	0.59000	0.59200	0.61200	0.64600	0.70600		
USD Libor	0.26125	0.28250	0.30281	0.45456	0.78094		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.16	1,395.80	1,389.86	1,338.75	1,268.39	1,379.00	1,422.00
Silver	58.02	29.96	29.57	24.76	21.51	26.30	29.17
Platinum	54.33	1,748.94	1,727.58	1,665.72	1,631.36	1,734.00	1,797.00
Palladium	60.96	782.61	765.37	638.98	562.30	666.00	733.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Feb'11	Mar'11	Apr'11	Apr'11	Feb'11	Dec'11	Feb'11
Settlement	1,376.90	29.3500	773.95	1,734.10	1,375.80	3,689.00	1,376.40
Open Interest	592,613		23,046	39,620	2,519	117,566	2,659
Change in Open Interest	2,039		78	-3,100	-975	-10,300	-18

Sources: Standard Bank; LME; Bloomberg

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