

# Commodities

## Commodities: Daily



Gold struggling for momentum

6 January 2012

**Focus:** While gold is pushing towards its 200d MA at \$1,633, we are not convinced that it can sustain a break above this level yet because liquidity remains locked up as the European interbank market continues to malfunction. We still believe that gold will reach all-time highs again in 2012. Initially, we anticipated this in Q1:12, but we now see a growing probability that it may only happen in Q2:12.

- Base metals have seen little movement since early yesterday, as it appears that investors are awaiting this afternoon's non-farm payrolls data. The complex had a slight pick-up in overnight trade, perhaps boosted by growing optimism surrounding the US economy after much better-than-expected ADP employment figures.
- Gold and silver have continued to enjoy solid support from investors concerned over the Eurozone and, to some extent, the tensions surrounding Iran.
- Oil has halted its recent rise as the market wavered between bullish US employment data and a bearish set of DOE inventory numbers. WTI and Brent weakened by \$1.41c/bbl and 96c/bbl respectively. Oil products fell more following a build much larger than expected in US oil produce inventories. The term structures for both Brent and WTI outperformed the flat price amid the still tight supply situation.

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### Commodity price data (5 January 2012)

#### Base metals LME 3-month

	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m	
Aluminium	2,058	2,036	2,069	2,028	-22	-1.07%	2,003.50	-49	-22.00
Copper	7,572	7,540	7,654	7,449	-32	-0.42%	7,471.00	-181	-12.00
Lead	2,063	2,005	2,070	1,988	-58	-2.81%	2,015.50	-28	-21.50
Nickel	18,800	18,675	18,800	18,450	-125	-0.66%	18,590.00	-115	11.00
Tin	19,650	19,850	19,980	19,480	200	1.02%	19,415.00	-260	-43.00
Zinc	1,869	1,833	1,878	1,824	-36	-1.94%	1,835.50	-9	-14.00

#### Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	112.85	112.49	112.85	112.12	-0.25	-0.22%
NYMEX WTI	101.35	101.61	101.71	101.30	-0.20	-0.20%
ICE Gasoil	962.75	963.50	963.50	962.75	-3.00	-0.31%
API2 Q1'12	109.45	110.00	-	-	0.55	0.50%

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,614.50	1,599.00	1,624.50	1,598.20	1,619.50	7.50	0.6/0.9
Silver	-	29.29	29.56	28.76	29.30	0.16	-5.0/-3.0
Platinum	1,420.00	1,415.00	1,430.00	1,413.00	1,410.00	-10.00	1.5/3.5
Palladium	647.00	645.00	655.00	636.00	638.00	-11.00	0.0/1.0

Sources: Standard Bank; LME; BBG

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## Focus: Gold struggling for momentum

While gold is pushing towards its 200d MA at \$1,633, we are not convinced that it can sustain a break above this level yet because liquidity remains locked up as the European interbank market continues to malfunction. The stress in the interbank market remains evident in the Euribor/OIS spread which remains high, at 0.95%. During periods of no interbank stress, this spread is usually less than 0.10%.

Funding issues continue to result in money being deposited with the ECB instead of being utilised within the greater financial system and, as a result financial assets, including gold, are struggling. We believe gold will move higher as funding stress declines — but not as soon as in January. The lack of liquidity and leverage is reflected in the futures market, where for example gold open interest in COMEX is still very low.

In the physical market, we continue to see steady buying of gold. But this demand is more likely to provide support for gold on dips below \$1,600 rather than push it substantially higher. The improved physical demand is reflected in the SGE premium which was at \$8.50/oz yesterday, up from around \$2/oz in mid-December, but still well below the \$15+/oz premium seen in October. We expect Chinese physical demand to remain steady, and even improve ahead of Chinese Lunar New Year.

We would look to buy gold on dips towards \$1,560. We also believe that the metal, in the next few weeks, is likely to find strong resistance on approach of \$1,650. We still believe that gold will reach all-time highs again in 2012. Initially, we anti-

## Base metals

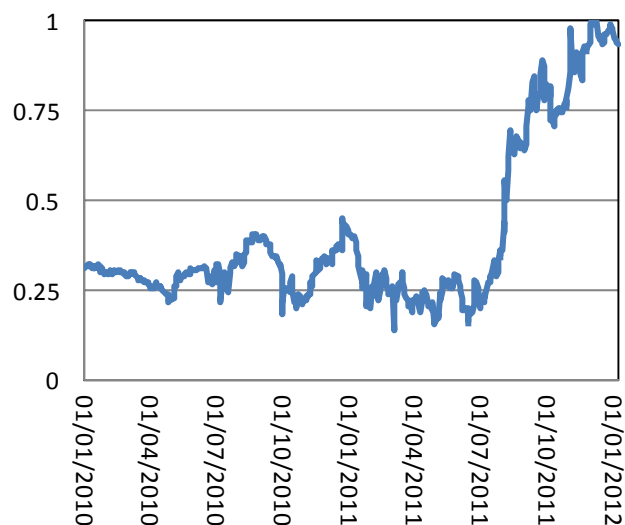
Base metals have seen little movement since early yesterday, as it appears that investors are awaiting this afternoon's non-farm payrolls data. The complex had a slight pick-up in overnight trade, perhaps boosted by growing optimism surrounding the US economy after much better-than-expected ADP employment figures. But volumes overall remain light with arbitrage activity providing much of the early Asia trading activity.

Shanghai physical copper traded at a discount of CNY50 against the January contract. This discount was CNY120 yesterday and CNY200 on Tuesday. Furthermore, the Shanghai copper forward curve has moved into contango for the first few months. This is some indication that for the next few weeks, possibly until China's New Year celebrations, copper supply in the Chinese domestic market may be sufficient.

Alcoa, the world's largest aluminium producer, has now announced plans to close down 12% of its smelting capacity after last year's drop in prices rendered these smelters unprofitable. The cutbacks should be completed in H1:12 and constitute a loss of about 540k tonnes a year — approximately 1% of global smelting capacity. Consequently, given the current over-supply in markets and the continued uncertainty surrounding global demand, we don't expect this news to provide much, if any, support for aluminium prices.

News reports have outlined government plans to boost Chinese domestic consumption through subsidies and tax breaks. Given the adverse effect that a slowdown in the Chinese economy (owing to tighter monetary policy) has had on industrial metal prices over the past year, such a plan could be supportive of prices in the coming months, especially if accompanied by an easing in monetary policy.

Euribor/OIS spread (%)



Source: BBG

ipated this in Q1:12, but we now see a growing probability that it may only happen in Q2:12.

By Walter de Wet

By Marc Ground

## Precious metals

Gold and silver have continued to enjoy solid support from investors concerned over the Eurozone and, to some extent, the tensions surrounding Iran. For gold, buying on dips remains the favoured strategy as participants appear to be positioning for further upside. With regard to silver, investors seem more cautious. PGM have not benefited much from rising safe-haven demand, and appear to be weighed down by the stronger dollar, having remained relatively range-bound since early yesterday.

Physical demand remains relatively light, although we have seen a pick-up in Indian buying ahead of the upcoming religious festivities. However, as we've highlighted before, the weaker rupee is dampening this demand, and we don't expect it to provide the same measure of support that it has in previous years. Chinese demand for physical gold has been fairly strong this week ahead of New Year celebrations which begin 23 January.

Better-than-expected ADP employment change data prompted a sell-off in gold yesterday afternoon, although this was short-lived. Given this reaction we could see another dip in response to this afternoon's non-farm payrolls data, should the numbers boost confidence in the US economy and inspire more risk taking. Analysts are expecting 155k jobs to be added in December, a strong improvement on the 120k increase seen in November. A rise in the unemployment rate to 8.7% from 8.6% is expected.

Gold support is at \$1,596 and \$1,582. Resistance is \$1,623 and \$1,634. Silver support is at \$28.72 and \$28.43, resistance is at \$29.54 and \$30.06.

Platinum support is at \$1,405 and \$1,398, resistance is at \$1,429 and \$1,445. Palladium support is at \$633 and resistance at \$656.

**By Marc Ground**

## Energy

Oil has halted its recent rise as the market wavered between bullish US employment data and a bearish set of DOE inventory numbers. WTI and Brent weakened by \$1.41c/bbl and 96c/bbl respectively. Oil products fell more following a build much larger than expected in US oil produce inventories. The term structures for both Brent and WTI outperformed the flat price amid the still tight supply situation.

The DOE reported US weekly oil inventory changes for crude/gasoline/distillates at +2.2/+2.5/+3.2mb w/w. Total crude imports were broadly unchanged, and US refining throughput was only marginally higher. The large build in product stocks was likely driven by a sharp, probably only temporary, fall in demand during the holidays. However, product demand on a four-week running basis was largely flat.

The ADP survey for US private employment shot up to the record high since the survey started, at 325k vs. an expected 178k. This clearly leads to a positive outlook for the non-farm payroll data due to be released today and the US economy in general. In contrast, Europe continues to struggle, which pushed the euro to a new recent low, which dragged most markets lower.

As the sanction on Iran from the US and a seemingly imminent oil embargo from the EU take effect, Asian countries are looking to alternative suppliers to replace their imports from Iran. Saudi and Libya are likely to fill some of the gaps, and European crude oil is also being arbitrated to Asia. The situation will keep the Brent structure strong despite reduced crude intake from Petroplus, as the company is fighting for survival. For now, tail-risk remains high for the oil market, although we still expect a diplomatic solution to be struck over the Iranian situation.

**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	4,980,625	4,983,175	1,025	3,575	-2,550	10,225	654,650	13.14	331,453
Copper	368,400	369,150	500	1,250	-750	-2,500	41,900	11.37	135,872
Lead	351,850	353,075	0	1,225	-1,225	-1,225	26,550	7.55	71,908
Nickel	89,838	89,550	300	12	288	-210	2,358	2.62	42,210
Tin	11,360	11,795	0	435	-435	-830	1,095	9.64	7,444
Zinc	820,900	820,750	350	200	150	-800	13,625	1.66	110,686

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	15,915	15,925	-20
Copper	55,780	55,930	100
Zinc	14,750	14,695	-155

### COMEX active month future prices

Metal	Open	Close	Change	Change (%)
Aluminium	Ali Mar'12	-	-	-
Copper	Cu Mar'12	343	344.20	1.55
Zinc				

### ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,385	61,098	16,483	152,029	158,776	15,011	8.1780
3-month	16,884	62,525	16,626	154,862	164,606	15,200	8.2925

## 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)	128.85	1.21	128.18	0.99	127.73	0.78	126.91	0.85	-	-
Gasoil 0.1% Rdam (\$/mt)	963.50	-3.00	959.00	-6.25	955.50	-6.50	943.75	-8.25	940.50	-6.25
NWE CIF jet (\$/mt)	1,024.96	5.21	1,031.00	4.75	1,035.77	5.84	1,035.83	12.28	1,032.93	8.67
Singapore Kero (\$/bbl)	127.85	0.68	128.33	0.54	128.51	0.33	127.45	0.47	126.77	0.71
3.5% Rdam barges (\$/mt)	660.00	4.50	647.00	3.50	641.50	3.75	630.25	5.75	608.50	6.75
1% Fuel Oil FOB (\$/mt)	690.00	-3.00	680.75	-2.50	675.50	-2.00	666.25	1.75		
Sing FO180 Cargo (\$/mt)	710.00	0.25	691.75	2.00	680.25	2.50	662.50	4.00		

Thermal coal	Q4-11	Q1-12	Q2-12	Cal 12	Cal 13
API2 (CIF ARA)	110.00	0.55	110.25	0.40	111.95
API4 (FOB RBCT)	106.55	1.00	107.00	0.80	108.55

## Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.54800	0.56667	0.59750	0.64950	0.70000
Silver	0.10000	0.07500	0.07500	0.12500	0.21333
USD Libor	0.29530	0.42920	0.58250	0.81200	1.13035

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	46.66	1,589.48	1,598.69	1,709.61	1,633.67	1,596.00	1,623.00
Silver	44.18	28.58	29.08	33.84	36.23	28.72	29.54
Platinum	39.78	1,410.67	1,429.89	1,605.97	1,692.43	1,405.00	1,429.00
Palladium	49.34	648.50	644.14	659.40	713.08	633.00	656.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Feb'12	Mar'12	Apr'12	Apr'12	Feb'12	Dec'12	Feb'12
Settlement	1,626.10	29,2850	640.30	1,418.00	1,625.00	4,039.00	1,620.20
Open Interest	421,221	105,688	17,615	42,445	6,139	122,857	1,731
Change in Open Interest	-2,054	-1,413	45	-31	-42	-831	-2

Sources: Standard Bank; LME; Bloomberg

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