

# Commodities

## Commodities: Daily



Focus: Chinese copper imports still strong

10 January 2011

**Focus:** The preliminary Chinese customs data for December show a small 2% m-o-m decline in unwrought copper imports to 344.6kt, while scrap imports climbed 10.3% m-o-m to 430 kt in December. While the scrap figure is likely to have been inflated, as participants looked to bring in material ahead of the removal of the VAT rebate, the numbers nevertheless continue to paint a solid picture in terms of Chinese demand for the metal.

- The base metals have drifted lower heading into Monday afternoon, with weaker Chinese equities setting the tone overnight. Turnover remains pretty subdued, with the market seemingly in wait and see mode during the commodity index re-weighting period and ahead of US trade.
- Increased concerns over the Eurozone sovereign debt situation, continues to provide support for gold and silver. However, the associated strengthening of the dollar against the euro is slowing upward price momentum. On balance however, we expect the concerns over the Eurozone situation of outgun the impact of a stronger dollar.
- Crude oil has burst into life overnight, following news over the weekend that a leak on the Trans-Alaska pipeline system has forced a shutdown of the network. The pipe carries around 15% of US crude oil output

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### Commodity price data (7 January 2011)

#### Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,503	2,518	2,517	2,501	0	0.60%	2,492.50	23	-14.00
Copper	9,350	9,420	9,459	9,360	-146	0.75%	9,399.00	-192	18.00
Lead	2,633	2,649	2,650	2,628	-7	0.61%	2,660.00	-43	26.00
Nickel	24,275	24,200	24,225	23,950	-350	-0.31%	24,345.00	-530	-28.00
Tin	26,350	26,500	26,400	26,400	270	0.57%	26,350.00	-300	23.00
Zinc	2,407	2,446	2,427	2,396	-10	1.62%	2,400.00	-46	-9.00

#### Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	93.80	94.00	94.70	93.73	0.67	0.71%	-	-	-
NYMEX WTI	89.00	88.97	89.98	88.80	0.94	1.06%	-	-	-
ICE Gasoil	766.00	767.25	771.00	766.00	-1.75	-0.23%	-	-	-
API2 Q1'11	124.50	128.10	-	-	3.60	2.81%	-	-	-
ICE EUA Spot	14.42	14.34	-	-	-0.08	-0.55%	-	-	-

#### Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,358.00	1,367.00	1,378.50	1,353.70	1,368.50	-3.00	-0.1/0.2
Silver	-	28.86	29.34	28.39	28.41	-0.70	1.0/3.0
Platinum	1,716.00	1,735.00	1,745.00	1,726.00	1,732.00	2.00	0.0/2.0
Palladium	741.00	754.00	761.00	747.00	754.00	-7.00	-1.0/1.0

Sources: Standard Bank; LME; BBG

**Focus: Chinese copper imports still strong**

The preliminary Chinese customs data for December show a small 2% m-o-m decline in unwrought copper imports to 344.6kt, while scrap imports climbed 10.3% m-o-m to 430 kt in December.

While the scrap figure is likely to have been inflated, as participants looked to bring in material ahead of the removal of the VAT rebate - the 50% rebate on the 17% VAT was ended on January 1st - the numbers nevertheless continue to paint a solid picture in terms of Chinese demand for the metal.

Looking at total imports on a 12-month MA basis, what is clear is that total copper imports stabilised over 2010, peaking at the highs seen in early 2008 before drifting back, as the re-stocking activity of 2009 faded during 2010 and gave way to de-stocking.

Of note however, after declining sharply during late 2008 and again in late 2009, scrap imports, as a percentage of total imports (not including concentrates) have picked back up again, recovering back towards the 55% level and offsetting falling refined/unwrought imports.

With concerns over Chinese monetary tightening continuing to hang over the market, and with the week-long Chinese New Year holidays due in early February, Chinese participants may well look to delay any significant purchasing activity, particularly given current high prices.

However, assuming 2010 represented a year of de-stocking by Chinese consumers, even with conservative growth projections and recognizing the potential for further de-stocking activity, 2011 will likely see total Chinese copper imports increase once

**Base metals**

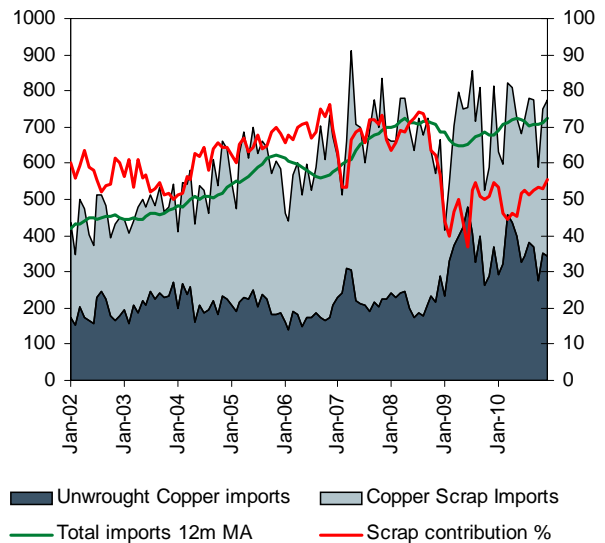
The base metals had a volatile but ultimately inconclusive end to last week, with the complex absorbing the disappointing US nonfarm payrolls and subsequent volatility in the currency markets, before coming under pressure towards the close. The base metals have continued to drift lower heading into Monday afternoon, with weaker Chinese equities setting the tone overnight. Turnover remains pretty subdued, with the market seemingly in wait and see mode during the commodity index re-weighting period and ahead of US trade.

Aluminium has been the busiest of the base metals, in terms of turnover, so far, although this perhaps highlights just how quiet copper has been in comparison. Aluminium has come under steady pressure heading into the afternoon, with concentrated bouts of selling seeing prices trade below \$2,500. Also weighing on sentiment was a 100 kt inflow of metal into the LME warehouse at Vlissingen. Big inflows and outflows of metal are more commonly associated with the US warehouses rather than in Europe, with the move taking some by surprise. Whether the material is related to a financing deal, or any of the proposed metal ETF's is uncertain.

Meanwhile, China's imports of alumina jumped 50% m-o-m in December, albeit still falling by 16% y-o-y for 2010 as a whole. With the Chinese alumina market seeing domestic production capacity increase dramatically, the market is in a state of flux, with imported alumina increasingly fulfilling the role of swing supply. The rebound in imports in December may have been due to the impact of power curbs in some regions, however, with fresh capacity expected to open up this year, the overall trend for alumina imports to China is likely to fall further, albeit with demand for bauxite likely to continue rising.

In other news, China has moved to suspend a regional environmental protection official in Anhui province, after 228 children were found to have excessive levels of lead in their bloodstream, with 23 having to be hospitalized. The factory responsible for the lead poisoning - a battery factory - has been closed. Pollution is undoubtedly still a major problem in many parts of China so it will be interesting to see if taking a harder line on environmental protection officers, as well as the polluters, results in a faster and more aggressive clampdown over the coming months.

**Chinese Unwrought and Scrap copper imports**



Source: Standard Bank, China Customs, MBR

again. Whether refined imports shoulder the burden however really depends on the scrap market.

While scrap availability is improving, it will be interesting to see if scrap imports can climb back towards the 70% level they occupied through 2005-2008. If scrap supply can't take up the slack, then the emphasis will once gain fall on the refined market, supporting prices and seeing global stock levels decline.

**By Leon Westgate**

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## Precious metals

Gold rallied after last Friday's disappointing US payrolls data, as a renewed bout of risk aversion kicked in. December saw only 103k jobs added to the US economy, compared to consensus expectations of 150k with the bias firmly to the upside. The numbers weren't terrible by any means, with the unemployment rate falling to 9.4%, however, it was enough to see gold and silver rally, in spite of the subsequent dollar strength.

Increased concerns over the Eurozone sovereign debt situation, continues to provide support for gold and silver. However, the associated strengthening of the dollar against the euro is slowing upward price momentum. On balance however, we expect the concerns over the Eurozone situation to outweigh the impact of a stronger dollar. Therefore, any uncertainty over the strength of US economy and/or heightened concerns over Europe's fiscal situation are likely to be supportive for prices.

Gold support is at \$1,356 and \$1,341. Resistance is at \$1,383 and \$1,394. Silver support is at \$28.30 and \$27.80 resistance is at \$29.35 and \$29.88.

The PGM's also rallied on Friday afternoon, albeit not to the same extent as gold. Both platinum and palladium did rally further overnight however, boosted by another set of strong Chinese auto sales data. Total Chinese vehicle sales for 2010 (including trucks and busses) rose 32% to 18.06 million units, with passenger vehicle sales climbing 33% to account for 13.8 million of the total. Both metals have since come under pressure heading into the afternoon, with the weakness in the industrial metals seemingly spilling over into the PGMs.

Platinum support is at \$1,716 and \$1,695, resistance is at \$1,753 and \$1,767. Palladium support is at \$738 and resistance at \$765.

**By Leon Westgate**

## Energy

Oil fell heavily during Friday afternoon before recovering again towards the close. Front month WTI closed the week at \$88.03, while the February Brent contract finished the week at \$93.33. Both contracts burst into life overnight however, following news over the weekend that a leak on the Trans-Alaska pipeline system has forced a shutdown of the network. The pipe carries around 15% of US crude oil output

The 800-mile network was closed at 08.50am (Alaskan time) on Sunday, forcing several companies to close around 95% of production from the North Slope area. Although the disruption is a localised issue, the news has supported flat prices, with WTI surging up to just shy of \$90 during overnight trade. As it stands, the duration of the stoppage is now key, with the disruption likely to continue lending background support to prices until it looks like being resolved. WTI has since drifted lower during the morning, trading back towards \$89/bbl before picking up again slightly ahead of US trade.

The oil pipeline news is the main story dominating the market today, and with a quiet couple of days ahead data-wise, the pipeline developments will likely continue to dictate short term price direction. Meanwhile, index rebalancing is another issue lingering in the background. This has been well flagged for some time however, and will likely have a tertiary effect on prices rather than anything else.

**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	4,272,400	4,274,875	2,300	4,775	-2,475	-4,650	158,100	3.70	230,458
Copper	379,525	379,400	850	725	125	1,975	27,600	7.27	142,005
Lead	209,700	209,850	125	275	-150	1,425	7,425	3.54	45,211
Nickel	136,896	137,040	0	144	-144	1,224	5,364	3.92	28,492
Tin	16,705	16,555	175	25	150	430	555	3.32	9,645
Zinc	700,975	701,125	0	150	-150	-450	1,700	0.24	75,247

### Shanghai 3-month forward prices

### COMEX active month future prices

Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)
Aluminium	16,910	16,930	-50	Ali Mar'11	-	-	-	-
Copper	70,000	69,680	-490	Cu Mar'11	428	428.05	-0.20	-0.05%
Zinc	19,160	18,960	-305					

### ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	17,061	64,336	18,208	166,642	180,366	16,428	6.8450
3-month	17,463	65,329	18,371	167,829	183,780	16,963	6.9351

## 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)	104.74	-0.01	104.79	-0.65	105.00	-0.79	106.37	-0.93	108.45	-0.93
Gasoil 0.1% Rdam (\$/mt)	767.25	-1.75	773.00	-2.00	778.00	-1.50	788.25	-1.00	806.25	0.50
NWE CIF jet (\$/mt)	856.27	-2.23	856.43	-4.32	859.26	-4.85	870.73	-7.17	888.45	-5.50
Singapore Kero (\$/bbl)	105.72	0.22	106.49	-0.30	106.67	-0.52	108.02	-0.78	110.42	-0.88
3.5% Rdam barges (\$/mt)	496.75	-0.75	496.04	-1.18	496.63	-1.17	498.42	-2.16	504.29	-2.53
1% Fuel Oil FOB (\$/mt)	507.50	1.25	506.79	0.32	510.38	-0.17	515.92	-1.66		
Sing FO180 Cargo (\$/mt)	523.00	-0.75	523.04	-0.93	523.38	-1.17	524.92	-1.91		

Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	128.10	3.60	123.80	3.05	121.50	2.75	123.75	3.00	122.00	2.25
API4 (FOB RBCT)	130.10	5.00	126.10	4.85	121.90	3.90	124.35	4.20	119.20	2.75

## Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.40000	0.41600	0.44800	0.54200	0.70800
Silver	0.58400	0.58400	0.60400	0.63800	0.69800
USD Libor	0.26125	0.28250	0.30313	0.45731	0.78550

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	50.86	1,393.21	1,387.82	1,341.60	1,270.83	1,356.00	1,383.00
Silver	55.78	29.86	29.52	24.97	21.61	28.30	29.35
Platinum	55.95	1,749.91	1,732.39	1,670.26	1,631.90	1,716.00	1,753.00
Palladium	57.89	779.20	765.69	644.37	564.81	738.00	765.00

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	1,373.80	28.8900	760.00	1,738.30	1,373.50	3,668.00	1,373.90
Open Interest	583,920	139,291	22,556	38,622	2,399	118,761	2,658
Change in Open Interest	-720	-731	270	162	128	2,364	-28

Sources: Standard Bank; LME; Bloomberg

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