Commodities

Commodities: Daily

Standard Bank

European refining temporarily boosted by Petroplus woes

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Strategists

Walter de Wet, CFA*
Walter.DeWet@standardbank.com
+44-20-31456821

Leon Westgate*
Leon.Westgate@standardbank.com
+44-20-31456822

James Zhang*
Jinzhong.Zhang@standardbank.com
+44-20-31456824

Marc Ground, CFA*
Marc.Ground@standardbank.com
+27-11-3787215

Focus: Petroplus, the largest independent oil refiner in Europe with a combined refining capacity over 600kb/d, has run into funding difficulties over the past few weeks. As a result, the company has started “temporary economic shutdowns”. European refining margins received a temporary boost from Petroplus’s woes, with both cracking margin and hydroskimming margins rallying over the past few weeks

- While Asia was an initial seller of metal this morning, it turned around quickly, as equities lent good support across the complex. Once again, copper saw good support around the $7,500 level and zinc around the $1,850 level. Volumes were reasonable this morning.
- As anticipated, this week’s meetings between German and French leaders is ensuring that markets remain focused on the Eurozone debt crisis, which is keeping interest in precious metals alive. Yesterday’s meeting revealed nothing startling, with German Chancellor Merkel merely commenting that negotiations were progressing well and that we might see signed commitment within the next month. With another meeting scheduled for later today, markets seem to be rather optimistic (although no particular announcements are expected since no press conference is planned). Precious metals are benefiting from a broad-based buying across asset classes.
- The oil market was weaker yesterday as general market sentiment was soured by the intransigent Eurozone debt crisis. WTI and Brent fell by 25c/bbl and 61c/bbl respectively. Oil products, however, continued to make gains amid problems in the refining industry.

Commodity price data (9 January 2012)

Base metals LME 3-month		Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,068	2,108	2,120	2,049	40	1.93%	2,061.50	42	-22.25
Copper	7,540	7,496	7,580	7,445	-44	-0.58%	7,503.00	-12	-8.00
Lead	1,970	1,966	1,983	1,950	-4	-0.20%	1,942.50	-33	-24.00
Nickel	18,601	19,100	19,118	18,500	499	2.68%	18,855.00	175	-11.00
Tin	19,723	19,800	20,150	19,650	77	0.39%	20,100.00	350	-59.00
Zinc	1,854	1,879	1,880	1,841	26	1.38%	1,855.00	28	-10.25

Energy	Open	Close	High	Low	day/day	Change (%)
ICE Brent	112.50	112.95	112.95	112.43	0.50	0.44%
NYMEX WTI	101.30	101.95	102.11	101.30	0.64	0.63%
ICE Gasoil	962.50	964.00	964.00	962.50	5.00	0.52%
API2 Q1'12	109.90	109.35	-	-	-0.55	-0.50%

Precious metals	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,618.00	1,615.00	1,622.40	1,606.00	1,608.60	-7.70	0.6/0.9
Silver	-	29.23	29.22	28.63	28.82	0.11	-5.0/-3.0
Platinum	1,405.00	1,403.00	1,428.00	1,391.00	1,423.00	19.00	1.5/3.5
Palladium	617.00	616.00	618.00	609.00	615.00	1.00	0.0/1.0

Sources: Standard Bank; LME; BBG

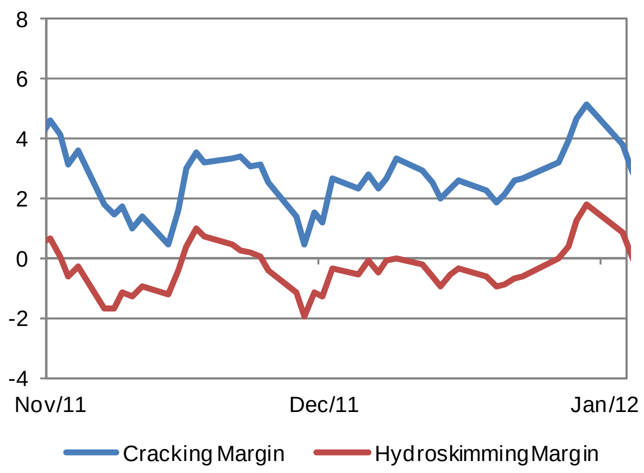
Focus: European refining boosted by Petroplus

Petroplus, the largest independent oil refiner in Europe with a combined refining capacity over 600kb/d, has run into funding difficulties over the past few weeks. As a result, the company has started a "temporary economic shutdown" at three of its five refineries: Petit Couronne, Antwerp and Cressier. These three sites processed on average ~230kb/d crude during the past two years. Meanwhile, the company's other two refineries at Ingolstadt in Germany and Coryton in the UK are running at less than two-thirds of their capacity, at 60kb/d and 100kb/d respectively.

With little sign of improvement in business conditions for the company, the shutdown and throughput reduction could last for a prolonged period of time, which could lead to a permanent shutdown of some refineries and/or sell-off of other sites. The combined throughput reduction at the five refineries amounted to ~340kb/d. This results in roughly a similar demand reduction in crude oil from the company and a fall of both middle-distillate and gasoline supplied by 100 to 150kb/d.

Consequently, European refining margins received a temporary boost from Petroplus's woes, with both cracking margin and hydroskimming margins rallying over the past few weeks (Figure 1). However, we are not expecting the strength to last as product demand is still lacklustre. More importantly, there remains plenty of spare capacity in the European refining system (Figure 2), and we expect other refineries to pick up the supply gap left by Petroplus. The strength in product cracks should be sold into.

NW Europe refining margins ($/bbl)



Source: Standard Bank Research

The much warm winter so far this year in many parts of the North Hemisphere has also reduced heating demand for middle-distillates. According to the estimate by PIRA, December's heating degree days came out 8% warmer than normal for the three major OECD markets, with the overall effect on oil-heat demand short of normal by 435 MB/D. For Europe, December was warmer than normal by 13%, losing 290 MB/D of oil-heat demand for the month. . This warmer then expected winter has arrested the sharp decline in distillate inventories we saw during autumn, another factor which usually weighs on refining margins.

By James Zhang

Base metals

While Asia was an initial seller of metal this morning, it turned around quickly, as equities lent good support across the complex. Once again, copper saw good support around the $7,500 level and zinc around the $1,850 level. Volumes were reasonable this morning.

Index re-weightings remain the focus, especially nickel, aluminium and zinc. With some of the major indices rolling their base metals positions this week, nickel and zinc in particular are finding good support, given that these markets are relatively small compared to say aluminium.

China's copper imports data released this morning indicated the country imported a record 508.9K mt of refined, alloy and copper products. Much of these imports were driven by arbitrage activity. Furthermore, China's total import and export figures for December, when exports and imports both slowed, indicated not only weaker foreign demand for China's goods, but also a weaker domestic economy. Combined with tight monetary policy, we believe that these copper imports may not be destined for final consumption yet.

Aluminium continues to find good support around the $2,050 level, and rallied all the way to $2,150 this morning. Elsewhere, the other base metals are very range-bound. With the news that Alcoa plans to shut down up to 12% of its production (or 540K mt), combined with tensions over the Straight of Hormuz supporting oil prices, we expect aluminium to find better support than the rest of the base metals basket in coming days.

There are few macroeconomic data releases due today. We believe that base metal rallies will continue to fade as we head towards the end of January. With the Chinese New Year ahead, and a couple of key EU meetings, we doubt that appetite will increase enough to see metals rally on a sustainable basis.

By Walter de Wet

Precious metals

As anticipated, this week's meetings between German and French leaders is ensuring that markets remain focused on the Eurozone debt crisis, which is keeping interest in precious metals alive. Yesterday's meeting revealed nothing startling, with German Chancellor Merkel merely commenting that negotiations were progressing well and that we might see signed commitment within the next month. With another meeting scheduled for later today, markets seem to be rather optimistic (although no particular announcements are expected since no press conference is planned). Precious metals are benefiting from a broad-based buying across asset classes.

Most notably, and unusually, we've seen PGM take the lead today. Given that recently PGM hasn't been benefiting as much as gold and silver from safe-haven demand, the current upward momentum seems mostly to do with the renewed optimism in markets that has also pushed base metals, as well as equity markets higher. With US equity futures pointing to a day of gains, we expect this momentum to continue to keep precious metals on the up.

Another support factor for PGM is yesterday's announcement by South Africa's major power provider, Eskom, that it is currently struggling to meet electricity demand. More generating plants have been taken offline for maintenance than the utility had originally anticipated. This, it said, has raised the risk that the country might be subject to a repeat of the 2008 power outages, which severely curtailed platinum production.

Gold support is at $1,618 and $1,602. Resistance is $1,637 and $1,640. Silver support is at $29.25 and $28.61, resistance is at $29.89 and $30.00.

Platinum support is at $1,424 and $1,384, resistance is at $1,469 and $1,473. Palladium support is at $624 and resistance at $639.

By Marc Ground

Energy

The oil market was weaker yesterday as general market sentiment was soured by the intransigent Eurozone debt crisis. WTI and Brent fell by 25c/bbl and 61c/bbl respectively. Oil products, however, continued to make gains amid problems in the refining industry. Brent structure weakened sharply, but remained in backwardation, while WTI structure was broadly unchanged.

Yesterday was the first day for the monthly roll of the major commodity indices. As we have noted here previously, the index roll this month also include the annual rebalance of the indices. For this year, the rebalance includes selling a significant holding in WTI while buying substantial volume of Brent. The market has positioned itself for the rebalance during the last week, which saw a significant increase in short positions held by swap dealers, according to the CFTC data, and pushed the WTI/ Brent spread to widen by ~$3/bbl. However, the positioning might have been overdone and we expect the spread to narrow sharply again.

The EU is reported to bring forward its decision over Iranian oil imports to 23 January. An embargo on Iranian oil appears to be certain, which is likely to tighten the European crude market and push price higher. Consequently, we see the weakness in the Brent structure on the back of Petroplus's woes, in particularly the front-end, as undervalued.

The US economy appears to be on a firmer footing, given a strong consumer credit reading for November. Meanwhile, China trade balance for December came in almost double the expected number. Both data releases have boosted sentiment. For now, the oil market remains broadly constructive, while the Eurozone crisis carries the main downside risks. We also see value in the Brent structure and product cracks in the short term.

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	4,971,075	4,975,600	0	4,525	-4,525	675	744,925	14.99	201,083
Copper	366,900	368,125	600	1,825	-1,225	-4,000	39,600	10.79	155,780
Lead	350,875	349,775	2,100	1,000	1,100	-2,200	23,350	6.65	52,778
Nickel	89,838	89,838	0	0	0	-210	2,472	2.75	32,461
Tin	11,330	11,335	0	5	-5	-860	1,365	12.05	5,191
Zinc	819,200	820,075	150	1,025	-875	-2,500	12,050	1.47	123,594

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,050	16,010	90
Copper	55,680	55,280	-70
Zinc	14,790	14,760	65

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Mar'12	-	-	-	-
Cu Mar'12	342	343.25	1.65	0.48%

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,816	61,202	15,845	153,800	163,956	15,131	8.1570
3-month	17,433	61,992	16,255	157,957	163,746	15,539	8.2700

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 ($/bbbl)	128.60	0.12	127.83	0.12	127.43	0.14	126.56	0.07	-	-
Gasoil 0.1% Rdam ($/mt)	964.00	5.00	965.75	5.50	963.25	5.25	953.50	4.25	944.50	0.25
NWE CIF jet ($/mt)	1,027.54	2.67	1,031.46	1.91	1,035.62	1.80	1,034.17	0.54	1,031.51	0.25
Singapore Kero ($/bbl)	127.75	0.22	128.08	0.22	128.27	0.25	127.33	0.27	126.69	0.24
3.5% Rdam barges ($/mt)	663.50	6.75	647.50	4.00	640.50	3.25	627.25	2.25	605.00	2.25
1% Fuel Oil FOB ($/mt)	683.75	-2.00	675.50	-1.25	670.75	-1.00	659.25	-0.25		
Sing FO180 Cargo ($/mt)	705.75	1.50	690.50	3.25	679.25	4.25	660.25	4.25		

Thermal coal	Q4-11		Q1-12		Q2-12		Cal 12		Cal 13	
API2 (CIF ARA)	109.35	-0.55	109.75	-0.40	111.55	-0.05	111.15	-0.20	116.80	-0.05
API4 (FOB RBCT)	105.95	-0.45	106.30	-0.40	107.80	-0.05	107.40	-0.15	112.20	-0.05

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.52960	0.55800	0.58300	0.63740	0.67400
Silver	0.03000	0.00200	0.02000	0.09833	0.15167
USD Libor	0.29630	0.42820	0.58050	0.81000	1.12825

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	46.38	1,591.95	1,595.03	1,704.60	1,635.35	1,618.00	1,640.00
Silver	44.37	28.57	28.86	33.56	36.13	29.25	29.89
Platinum	42.89	1,411.22	1,422.04	1,597.29	1,689.03	1,424.00	1,469.00
Palladium	47.65	638.73	636.95	656.47	711.46	624.00	639.00

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	1,620.10	29.2500	627.20	1,429.60	1,616.50	4,006.00	1,609.70
Open Interest	417,864	106,526	17,356	42,934	5,915	122,165	1,713
Change in Open Interest	-2,516	55	-75	427	-224	-2,800	-9

Sources: Standard Bank; LME; Bloomberg

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