

Commodities

Commodities: Daily



11 January 2011

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- Concerns that Europe's sovereign debt problems may worsen, continue to drive precious metals markets. Despite a statement of support for Eurozone bonds from China and Japan, treasury yields and CDS spreads continue to climb across Europe, while gold has rallied back above \$1,380/oz heading into the afternoon.
- The oil price was boosted yesterday by the Alaska pipeline outage over the weekend. Front month WTI gained \$1.22/bbl to settle at \$89.25/bbl, while front-month Brent moved up by \$2.37/bbl to close at \$95.70/bbl. The prospect that some refinery throughput might be impacted by the pipeline outage also pushed the product cracks higher yesterday. These have since reversed this morning, to some extent, as there appears to be sufficient crude inventory not to reduce refinery runs.

Strategists

Walter de Wet CFA*

Walter.DeWet@standardbank.com
+44-20-31456821

Leon Westgate*

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

James Zhang*

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

Commodity price data (10 January 2011)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,482	2,488	2,493	2,480	-30	0.24%	2,466.00	-27	-17.00
Copper	9,355	9,322	9,420	9,345	-104	-0.35%	9,384.00	-15	8.50
Lead	2,615	2,590	2,606	2,582	-63	-0.96%	2,642.00	-18	24.00
Nickel	24,000	23,880	24,195	23,900	-325	-0.50%	24,050.00	-295	-36.00
Tin	26,200	26,300	26,400	26,375	-250	0.38%	26,125.00	-225	4.00
Zinc	2,377	2,380	2,394	2,371	-66	0.13%	2,367.50	-33	-10.50

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	95.63	95.49	95.70	95.37	-0.21	-0.22%	-	-	-
NYMEX WTI	89.31	89.20	89.67	89.16	-0.05	-0.06%	-	-	-
ICE Gasoil	782.25	782.25	782.25	782.25	-0.25	-0.03%	-	-	-
API2 Q1'11	128.10	127.80	-	-	-0.30	-0.23%	-	-	-
ICE EUA Spot	14.34	14.08	-	-	-0.26	-1.81%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,368.25	1,368.25	1,374.30	1,366.00	1,374.00	5.50	-0.2/0.1
Silver	-	29.11	29.12	28.77	28.84	0.43	1.0/3.0
Platinum	1,739.00	1,742.00	1,748.00	1,745.00	1,740.00	8.00	0.0/2.0
Palladium	750.00	753.00	758.00	750.00	750.00	-4.00	-1.0/1.0

Sources: Standard Bank; LME; BBG

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Base metals

Stronger equity markets in China and Europe have given the base metals complex a boost during Tuesday morning, with all of the metals posting solid gains. Short covering has been an additional factor behind the rally in nickel, zinc and copper, while relatively lackluster turnover has also exacerbated some of the price movement.

Higher than expected Chinese New Yuan Loans in December (480.7 billion compared to expectations of 360 billion, albeit still the lowest level in a year) were another factor behind the base metal's strong start to the day, with copper benefiting in particular. Meanwhile, Japan has announced that it will buy bonds issued by Europe's financial-aid fund. China also issued supportive comments, which has helped the euro stabilize and recover against the dollar. While this has seen sentiment recover for now, the Eurozone issues are likely to rumble on for some time with confidence remaining fragile overall.

Copper has rallied throughout the morning, recovering yesterday's losses to trade back around Monday's opening levels ahead of US trade. Turnover has been fairly disappointing however, with the metal still lacking direction and the market still appearing to be largely unconvinced. Until a bit of momentum returns, something that could emerge only after the Chinese New Year holiday, copper seems likely to continue trading sideways, with technical indicators taking over short term price direction.

The rest of the metals are tending to look towards copper for direction, while in the absence of anything else to go on, the dollar is also starting to exert some influence on price direction. In other news, the force majeure for concentrate exports from the Collahuasi mine remain in place, however the operation has been managing to sell around 70% of its output, mainly through Xstrata's Altonorte smelter, and through the port of Antofagasta.

Precious metals

Concerns that Europe's sovereign debt problems may worsen, continue to drive precious metals markets. Despite a statement of support for Eurozone bonds from China and Japan, treasury yields and CDS spreads continue to climb across Europe, while gold has rallied back above \$1,380/oz heading into the afternoon. With Portugal coming to the bond market tomorrow and Spain the next day, we expect the associated concerns and uncertainty to keep precious metals well supported.

Gold support is at \$1,369 and \$1,362. Resistance is at \$1,384. Silver support is at \$28.78 and \$28.45, resistance is at \$29.28 and \$29.45.

While palladium has kept up with gold and silver, platinum has lagged. For this reason, the impetus platinum received from strong Chinese auto sales could be extended as investors look for additional value within the metals considered to have safe-haven status.

Platinum support is at \$1,731 and \$1,718, resistance is at \$1,754 and \$1,765. Palladium support is at \$748 and resistance at \$766.

Energy

By Leon Westgate

The oil price was boosted yesterday by the Alaska pipeline outage over the week-end. Front month WTI gained \$1.22/bbl to settle at \$89.25/bbl, while front-month Brent moved up by \$2.37/bbl to close at \$95.70/bbl. The prospect that some refinery throughput might be impacted by the pipeline outage also pushed the product cracks higher yesterday. These have since reversed this morning, to some extent, as there appears to be sufficient crude inventory not to reduce refinery runs. The term structure of WTI continued to weaken yesterday in anticipation of a further inventory build at Cushing.

The outage of Alaska pipeline predominantly affects refineries around the West Coast of the US, whose alternative crude imports are priced mostly on a Brent and Oman related basis. This reinforces the relative weakness of WTI versus Brent.

The latest CFTC report showed a 15% w-o-w decrease in crude oil net longs held by Money Managers, on a combined futures and options basis. Commercial hedgers continue to see the current price level as a good opportunity to hedge production, with their net short position increasing by 4%. Swap Dealers also increased their net short positions, albeit at a much smaller absolute level.

In the short term, the market will be focusing on how quickly the Alaska pipeline will return to service and on the DOE inventory report tomorrow. We expect the decline in US crude oil inventories, seen during late 2010, to come to a halt. Refinery utilisation rates were likely to have stayed at a relatively high level, which should swing inventories from crude to products.

We forecast the inventory changes for Crude/Gasoline/Distillate at 0/+2.5/+1.0 mbbl respectively. A large net build of US oil inventories last week, is likely to put downside pressure on both flat prices and product cracks. However, the selling is likely to be limited by the continuing Alaska pipeline outage, and the start of US refinery winter turn-around season.

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	4,369,500	4,272,400	101,675	4,575	97,100	92,450	155,125	3.55	244,444
Copper	378,300	379,525	0	1,225	-1,225	750	34,325	9.07	174,737
Lead	210,375	209,700	1,025	350	675	2,100	7,100	3.37	49,049
Nickel	136,806	136,896	0	90	-90	1,134	5,550	4.06	39,036
Tin	16,690	16,705	290	305	-15	415	380	2.28	8,121
Zinc	700,950	700,975	0	25	-25	-475	1,725	0.25	135,312

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)
Aluminium	16,880	16,840	-65	Ali Mar'11	-	-	-	-
Copper	69,720	70,340	560	Cu Mar'11	426	430.40	3.95	0.93%
Zinc	19,010	18,995	-10					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,956	64,524	18,166	165,368	179,636	16,279	6.8760
3-month	17,332	64,939	18,042	166,353	183,211	16,580	6.9662

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)	106.03	1.29	106.77	1.98	106.80	1.80	108.03	1.66	110.09	1.64
Gasoil 0.1% Rdam (\$/mt)	782.25	-0.25	787.50	-0.50	791.75	0.00	799.75	-0.50	815.50	-0.75
NWE CIF jet (\$/mt)	868.23	11.96	871.94	15.51	874.16	14.90	883.31	12.58	899.13	10.68
Singapore Kero (\$/bbl)	107.12	1.40	108.47	1.98	108.50	1.83	109.73	1.71	112.06	1.64
3.5% Rdam barges (\$/mt)	501.75	5.00	502.05	6.01	502.31	5.68	504.06	5.64	510.02	5.73
1% Fuel Oil FOB (\$/mt)	514.25	6.75	514.80	8.01	517.06	6.68	523.06	7.14		
Sing FO180 Cargo (\$/mt)	528.50	5.50	529.55	6.51	529.31	5.93	531.06	6.14		

Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	127.80	-0.30	123.60	-0.20	121.20	-0.30	123.40	-0.35	120.85	-1.15
API4 (FOB RBCT)	129.90	-0.20	125.90	-0.20	121.95	0.05	124.40	0.05	118.05	-1.15

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.38667	0.40500	0.43167	0.51667	0.64667
Silver	0.58500	0.57833	0.57833	0.59167	0.65000
USD Libor	0.26125	0.28250	0.30313	0.45706	0.78400

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.25	1,390.41	1,386.90	1,343.07	1,272.04	1,369.00	1,380.00
Silver	56.67	29.76	29.52	25.08	21.67	28.78	29.28
Platinum	55.69	1,748.11	1,734.03	1,672.52	1,632.09	1,731.00	1,755.00
Palladium	57.89	775.71	765.30	647.04	566.05	748.00	766.00

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	1,375.70	29.1150	758.05	1,745.10	1,376.00	3,688.00	1,376.10
Open Interest	581,199	137,079	22,604	38,667	2,399	118,281	2,605
Change in Open Interest	2,721	2,212	-48	-45	0	480	53

Sources: Standard Bank; LME; Bloomberg

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