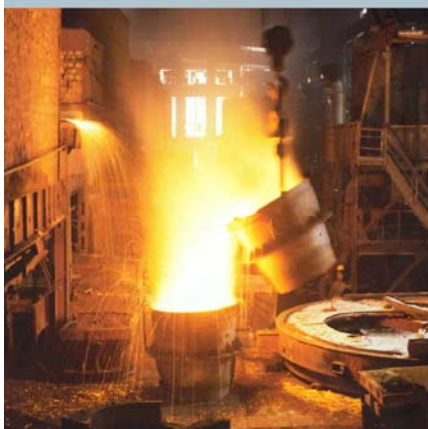


15 January 2010



Focus: Commodities still to benefit from global liquidity growth—Global liquidity grew at an unprecedented rate between October and December 2008. It stagnated between Feb'09 and Jun'09. However, since July liquidity growth is back on track (refer to adjacent graph). We continue to view this as bullish for commodities and gold in particular.

- December auto sale figures for China and the US was positive. This morning new euro-zone passenger vehicle sales for December indicated sales are also recovering in Europe.
- After a very busy start to the week, base metals volumes have dropped off markedly. Direction has also vanished with the metals drifting and resorting to dollar watching. This has been the case this morning with all the base metals coming under pressure from a stronger dollar.
- This afternoon is fairly heavy data-wise with the release of the December US CPI figures (expected +0.2%) Industrial Production (expected +0.6%) and the preliminary Michigan Confidence index for January (expected at 74.0 from 72.5). This afternoon also sees the start of the US quarterly reporting season, with JP Morgan and Merrill Lynch reporting their results today.

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Commodity price data (14 January 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,303	2,340	2,337	2,305	60	1.61%	2,293.00	43	-31.00
Copper	7,470	7,490	7,529	7,415	5	0.27%	7,454.00	63	-24.25
Lead	2,473	2,507	2,515	2,457	27	1.37%	2,451.00	16	-22.50
Nickel	18,400	18,305	18,400	18,126	0	-0.52%	18,350.00	615	-72.00
Tin	18,250	18,450	18,275	18,000	450	1.10%	18,200.00	475	-70.00
Zinc	2,520	2,503	2,524	2,470	13	-0.67%	2,492.50	16	-28.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.35	77.90	78.35	77.90	-0.67	-0.86%
NYMEX WTI	79.20	78.87	79.31	78.77	-0.52	-0.66%
ICE Gasoil	635.75	630.25	635.75	630.00	-6.00	-0.95%
API2 Q1'10	85.00	85.40	-	-	0.40	0.4%
EUA Dec10	12.94	13.55	-	-	0.61	4.50%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,137.50	1,138.25	1,146.50	1,131.50	1,143.80	6.80	-0.3/0.1
Silver	-	18.55	18.70	18.47	18.63	0.10	0.5/2.5
Platinum	1,581.00	1,600.00	1,612.00	1,581.00	1,605.00	35.00	-2/0
Palladium	429.00	438.00	445.00	427.00	444.00	22.00	-2/0

Sources: Standard Bank; LME; BBG



Focus: Commodities still to benefit from global liquidity growth

Global liquidity grew at an unprecedented rate between October and December 2008. It stagnated between Feb'09 and Jun'09. However, since July liquidity growth is back on track (refer to adjacent graph). We continue to view this as bullish for commodities and gold in particular.

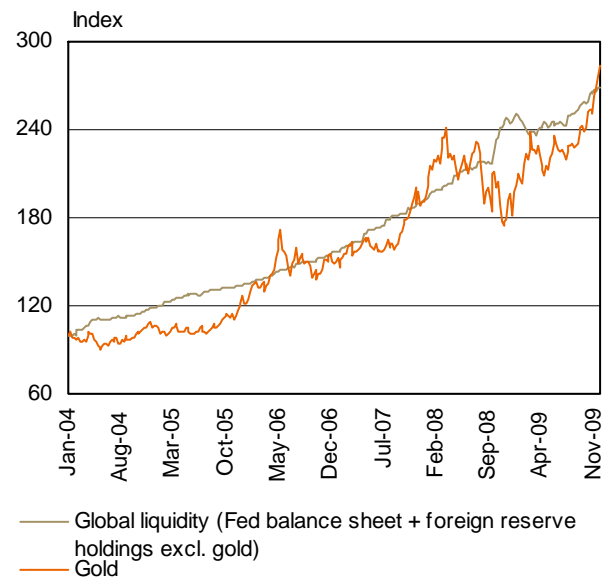
Liquidity, as we measure it, continue to track the trend of the past five years. From this measurement we see little evidence of any tightening in liquidity yet. In the current economic environment, we doubt major central banks would look to drain liquidity aggressively.

As long as major central bank interest rates remain low, liquidity growth should also persist. Currently the futures market sees an 83% probability of the Fed raising rates in November. This probability is down from 91% one month ago.

While the risk of more quantitative easing has no doubt receded, the need could arise to inject more volumes of liquidity into the global financial system (as was the case in 2008); such a move would see liquidity jump higher again, which should support prices once again. While we do not anticipate this scenario, the upward trend is enough to support gold in particular.

Therefore, from a liquidity perspective, we still see support for

Global liquidity growth vs gold



Sources: Standard Bank; Bloomberg

commodities on the downside. Given the relationship between liquidity and commodity prices, we have found that precious metals remain the main beneficiary, followed by energy, and base metals.

By Walter de Wet

Base metals

The phrase "In like a lion, out like a lamb" is usually used to describe weather patterns in March, but it could also quite easily describe trading activity during the January index re-weighting period. After a very busy start to the week, volumes have dropped off markedly. Direction has also vanished with the metals drifting and resorting to dollar watching. This has been the case this morning with a stronger dollar - following unfounded rumours that German Chancellor Angela Merkel had resigned, plus the ongoing concerns over Greece - weighing on prices.

This afternoon is fairly heavy data-wise with the release of the December US CPI figures (expected +0.2%) Industrial Production (expected +0.6%) and the preliminary Michigan Confidence index for January (expected at 74.0 from 72.5). This afternoon also sees the start of the US quarterly reporting season, with JP Morgan and Merrill Lynch reporting their results today.

Of note, BHP Billiton has reportedly settled treatment and refining charges (TC/RCs) for its copper concentrate with Mitsubishi Materials and Jiangxi Copper at \$46.5/mt and 4.65¢/lb, a cut of around 38%. This is basically the level that Freeport agreed its TC/RCs with smelters late last year. This level appears to be the benchmark, with the other smelters in the region likely to fall in-line and announce similar numbers. On paper, some smelters will be suffering at these TC/RC levels, with some reports suggesting they are uneconomic for some Chinese operations. We note however that the relationship between miners and smelters is essentially a symbiotic one, and that behind the headline numbers there may well be some flexibility built in, for example regarding pricing dates etc.

SHFE inventories were higher across the board this morning, also helping to depress prices. With activity in China likely to take a backseat until after the New Year holidays in mid February, further increases in SHFE inventories are likely. LME inventories were also generally higher this morning, the exception being Aluminium which saw another sizeable fall in on-warrant stocks - down 13,05 mt. The main location for the activity was Europe, with on-warrant aluminium stocks in Rotterdam posting a 11,225 mt drop, due primarily to a 9,400 mt increase in cancelled warrants.

In other news, workers at Australia's port of Esperance may go on strike over a wage dispute. The workers have until February 10th to start a 48 hour strike, but must give 3-days notice. The port handles nickel, iron ore and grain.

By Leon Westgate

Precious metals

Yesterday's picture remains unchanged for gold today. The metal is range-bound between \$1,120 — \$1,144. Within this range the metal is pushed around by currencies. We expect this to remain the case as we head towards the weekend. Early this morning gold briefly broke above the \$1,144 level again but selling pressure remains strong above \$1,144.

Concerns in financial markets about Greece's debt burden remains. The CDS blew-out to 337bps yesterday (from 255bps at the start of the week). The ECB indicated Greece will not receive special treatment. The uncertainty around Greece should keep the euro under pressure. The natural beneficiary remains the dollar.

Gold support is at \$1,120 and \$1,114, with resistance at \$1,144 and \$1,158.

Platinum and palladium are well supported by investor demand driven around the launch of the US ETFs. As a result we see dips in the metals as buying opportunity.

December auto sale figures for China and the US was positive. This morning new euro-zone passenger vehicle sales for December indicated sales are also recovering in Europe. New passenger vehicle registrations came in at 796,404 which is growth of 16% y/y (the growth figure is distorted by the base effect due to a very poor Dec'08). However, the positive in the data is vehicle registrations in 2009 (at 11.6m) were higher than the 2008 figure (11.3m).

By Walter de Wet

Energy

Crude oil prices have continued to come under pressure heading into Friday afternoon, with a stronger dollar weighing on prices. Front-month WTI has found some support around \$78.60, but is lacking direction. With little else to go on, crude oil will likely look to the equity markets, the dollar and economic data for price direction during the afternoon.

In other news, sea ice in northern China's Bohai Sea has forced the closure of some oilfields in Liaodong Bay. The oilfields in Bohai account for around 52% of CNOOC's crude oil output and around 12% of its natural gas production. In addition to the impact on the oil platforms however, there are concerns the sea ice may also disrupt shipping lanes and ports in northern China. So far there have been no reports of significant disruption, though with the sea ice forecast to persist for at least another week, concerns remain.

Thermal coal prices were subdued yesterday, but managed to shake off much of the weakness elsewhere in the energy complex. API2 for delivery in January closed at \$85.90, up \$0.15, though API4 for January did loose ground, falling \$0.25 to close at \$85.40. This morning has seen coal prices pick up slightly, ignoring weaker prices elsewhere.

Overall, the physical market remains well bid, with Chinese and Indian demand continuing to underpin prices. Overlaid on top of that demand are the continuing cold conditions in the northern hemisphere. While there has been a slight thaw, in the UK at least, we are still only halfway through the winter period with the potential for further cold weather to come.

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	4,584,950	4,593,400	375	8,825	-8,450	-43,950	251,825	5.49	163,445
Copper	525,475	523,975	1,650	150	1,500	23,150	8,525	1.62	118,811
Lead	150,750	150,300	450	#N/A	N/A	450	75	0.05	28,575
Nickel	161,994	161,550	492	48	444	3,984	1,506	0.93	29,104
Tin	27,260	27,065	200	5	195	495	585	2.15	6,069
Zinc	488,150	488,175	250	275	-25	100	3,950	0.81	69,248

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	17,470	17,470	-15	Ali Jan'10	-	-	-	-
Copper	60,840	60,620	-260	Cu Jan'10	339	339.00	0.25	0.07%
Zinc	20,450	20,315	-205					

ZAR metal prices (13 January 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	17,053	55,435	18,228	136,469	135,353	18,537	7.4370
3-month	17,694	56,636	18,957	138,415	139,512	18,927	7.5616

Energy

Energy futures pricing	Price Change		Price Change		Price Change		Price Change		Price Change	
	1-month forward	2-month forward	3-month forward	6-month forward	1-year forward					
Sing Gasoil (\$/bbl)	86.26	0.06	85.50	0.09	86.36	0.19	88.75	0.26	92.89	0.27
Gasoil 0.1% Rdam (\$/mt)	630.25	-6.00	637.75	-5.50	644.25	-5.00	662.50	-5.50	701.50	2.75
NWE CIF jet (\$/mt)	701.38	1.15	700.95	-0.10	709.16	0.16	729.93	1.42	766.92	2.50
Singapore Kero (\$/bbl)	87.84	-0.05	87.00	0.09	87.81	0.14	90.15	0.21	95.14	0.22
3.5% Rdam barges (\$/mt)	457.50	1.50	458.75	1.00	460.00	1.00	463.75	1.00	470.00	0.50
1% Fuel Oil FOB (\$/mt)	472.75	-0.75	476.25	-1.00	479.75	-0.75	491.25	-1.00	508.50	0.25
Sing FO 380 Cargo (\$/mt)	484.25	1.75	484.00	1.50	484.00	1.00	486.50	1.00	487.75	1.00
Sing FO180 Cargo (\$/mt)	491.00	2.00	490.00	2.00	489.75	1.75	491.50	1.00	487.75	1.00

Thermal coal	Q1-10		Q2-10		Q3-10		Cal 11		Cal 12	
API2 (CIF ARA)	85.40	0.40	86.60	0.6	89.80	0.55	101.65	-0.45	109.15	-0.95
API4 (FOB RBCT)	84.40	0.15	83.80	-0.60	86.60	0.35	95.05	-00.65	101.15	-0.95

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.24400	0.26200	0.28000	0.30800	0.48400
Silver	0.58000	0.58000	0.59000	0.60000	0.60800
USD Libor	0.23313	0.24250	0.25125	0.39875	0.90500

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	54.31	1,134.47	1,115.59	1,080.18	1,006.70	1,116.00	1,142.00
Silver	56.82	18.29	17.71	17.38	15.64	17.85	18.40
Platinum	66.18	1,571.04	1,509.43	1,390.13	1,289.64	1,525.00	1,575.00
Palladium	71.33	430.09	407.07	346.12	296.94	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Feb'10	Mar'10	Mar'10	Apr'10	Feb'10	Dec'10	Feb'10
Settlement	1,135.90	18,5600	449.00	1,604.80	1,135.60	3,326.00	1,135.20
Open Interest	521,750	130,015	23,541	34,001	1,545	121,836	2,534
Change in Open Interest	1,516	-1,340	-104	501	-10	-6,180	89

Date: 14 January 2010

Sources: Standard Bank; LME; Bloomberg

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