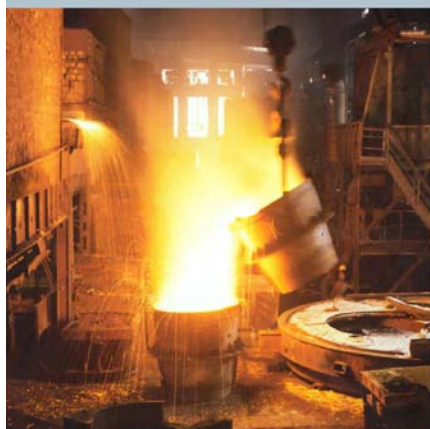


21 January 2010



Focus: More gold weakness in the offing Gold held up well until yesterday morning when weaker equities and the stronger dollar started to weigh on all commodities. With gold breaking out of the lower end of its recent trading range, we now find it difficult to see major upside for the metal in coming weeks.

- Metals are succumbing to dollar strength — and dollar strength is being accompanied by increased risk aversion and weaker equities. Earlier this week, we believed the bias lied towards a break above \$1,145 for gold. But gold broke below \$1,120 yesterday; therefore, we are turning cautious as dollar strength may spur gold selling.
- Platinum support is at \$1,600 and \$1,580, resistance at \$1,630. Palladium support is at \$455 and resistance at \$465.
- The base metals had a bit of a washout during Wednesday afternoon, with the combination of Chinese monetary tightening, middling US economic data and weaker Euro sparking off a bout of liquidation. Most of the activity occurred on-line, with the price weakness appearing to trigger CTA selling in copper and lead.
- Front month WTI is trading sideways ahead of this afternoon's DOE data, with prices hovering around yesterday's closing levels. Brent is also trading water, with the market lacking direction and waiting for something to happen.

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Commodity price data (20 January 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,268	2,268	2,284	2,243	-26	0.00%	2,254.00	11	-31.25
Copper	7,445	7,376	7,500	7,365	-170	-0.93%	7,446.00	4	-25.50
Lead	2,420	2,295	2,349	2,273	-130	-5.18%	2,405.50	-15	-23.50
Nickel	18,975	18,805	19,100	18,653	-395	-0.90%	18,985.00	340	-72.00
Tin	17,995	17,775	18,150	17,850	-75	-1.22%	17,950.00	320	-64.00
Zinc	2,488	2,445	2,502	2,444	-59	-1.73%	2,468.50	10	-22.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	76.06	76.15	76.67	75.76	-0.17	-0.22%
NYMEX WTI	77.56	77.65	78.20	77.32	-0.09	-0.12%
ICE Gasoil	618.00	616.00	620.00	613.00	1.75	0.28%
API2 Q1'10	85.00	82.20	-	-	-2.80	-3.41%
EUA Dec10	13.65	13.40	-	-	-0.25	-1.83%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,104.00	1,120.25	1,141.50	129.80	1,112.30	-27.70	-0.3/0.1
Silver	-	17.60	18.81	17.81	17.88	-0.89	0.5/2.5
Platinum	1,603.00	1,627.00	1,655.00	1,593.00	1,615.00	-23.00	-2.5/-0.5
Palladium	462.00	457.00	467.00	452.00	462.00	-1.00	-2.5/-0.5

Sources: Standard Bank; LME; BBG



Focus: Gold weakness in the offing

Gold held up well until yesterday morning when weaker equities and the stronger dollar started to weigh on all commodities. **With gold breaking out of the lower end of its recent trading range, we now find it difficult to see major upside for the metal in coming weeks.**

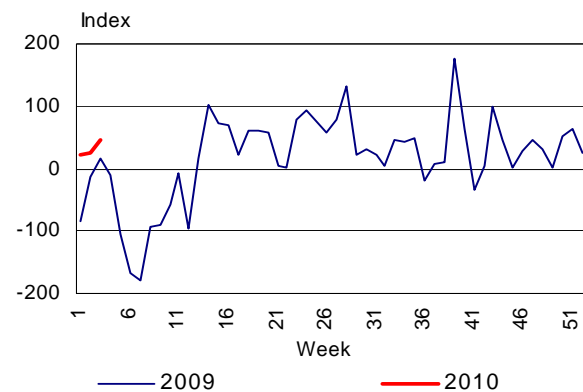
Currency fluctuations and appetite for gold in the physical market guide our analysis. While physical demand has not been exceptional, we have seen a steady buying interest during the past few weeks. This physical buying interest has no doubt supported gold in recent days. This physical demand is evident in how gold denominated in euro outperformed gold denominated in dollar — despite ETF holdings falling. February could be a weak period for physical demand. Last year, between February and April the volumes of scrap gold that came to the market were large (as evident from the negative values in our index during that period).

While there is no guarantee that such selling will be repeated, we advise caution.

Our physical flow index has indicated higher buying interest than the same period in 2009; this is bullish. Some of the demand seems to come ahead of Chinese New Year (due on 14 February). However, note two observations:

Firstly, last year Chinese New Year was on 26 January. Thereafter, physical selling started. This year, the Chinese New Year

Standard Bank physical gold flow index*



Source: Standard Bank

*A value below zero in the index shows net selling of gold. A value above zero shows net buying of gold.

is three weeks later, on 14 February. Because Q1 is traditionally the weak jewellery period of the year, and should we see weakness in physical demand, this may not be the case until mid-Feb. **Secondly**, the current downward pressure which the dollar is putting on the gold price could motivate more scrap selling as investors try to cash in on high prices.

While we believe gold will test new highs in H2:10, the recent developments in financial markets and past evidence from the physical market seem to advise **caution on gold for the next few weeks.**

By Walter de Wet

Base metals

The base metals had a bit of a washout during Wednesday afternoon, with the combination of Chinese monetary tightening, middling US economic data and weaker Euro sparking off a bout of liquidation. Most of the activity occurred on-line, with the price weakness appearing to trigger CTA selling in copper and lead. It looks like the market may also have positioned itself long, ahead of key Chinese economic data, then subsequently stopped out. The other base metals generally avoided the sustained selling that befell copper and lead, although price-wise, everything finished underwater.

The Chinese economic data overnight was generally positive. GDP was slightly better than expected while Fixed Asset Investment and Industrial Production were slightly below consensus expectations. Inflation was higher than expected, with both PPI and CPI coming in above consensus. All in all however, the data was pretty solid, good enough to keep sentiment positive, but not so good as to prompt the Chinese government to take too aggressive an approach in terms of reining in liquidity.

This afternoon sees the release of the US Initial Jobless Claims (expected at 440K) The Philadelphia Fed Index (expected at 18.0) and the Leading Indicators for December (expected +0.7%). Goldman Sachs also reports its earnings.

Copper had a very busy day yesterday, with well over 14,000 lots trading on LME Select. The metal has continued to see very good turnover this morning, with over 5,000 lots trading on Select by 9am. After rallying initially overnight however, prices have come under pressure, dropping back towards Wednesday's closing levels. Inventory-wise, "normal" service has resumed, with on-warrant copper stocks climbing 8100 mt (New Orleans +6025 mt and Singapore +1500 mt). Lead has also been relatively busy, however the other metals are very quiet and are generally looking towards copper for direction.

Chinese copper imports jumped 26% m-o-m in December to 244,013 mt - reflecting the opening of the arbitrage window - bringing YTD imports of copper to 3.185Mt. Of note however, China's output of metals has also increased sharply. Production of copper in December was down slightly m-o-m but remained above 400 ktpm at 418 kt, while output of lead and zinc hit record highs, with December lead output climbing 12% m-o-m to 374 kt and zinc climbing 3.8% m-o-m (45% y-o-y) to 462 kt.

By Leon Westgate

Precious metals

Metals are succumbing to dollar strength — and dollar strength is being accompanied by increased risk aversion and weaker equities.

Earlier this week, we believed the bias lied towards a break above \$1,145 for gold. But gold broke below \$1,120 yesterday; therefore, we are turning cautious as dollar strength may spur more gold selling. On dollar strength and possible developments in the physical market, we advise caution in the weeks ahead (refer to *Focus*).

There was good physical demand as gold approached \$1,100 this morning. But it might not be enough to offset gold selling elsewhere. **Gold support is at \$1,100 and \$1,085, resistance at \$1,120 and \$1,130.**

Although platinum and palladium are lower, both metals are seeing good buying on the dips. There may be temporary weakness and volatility, but we believe both are set to push higher. Palladium particularly is receiving good buying interest. **Platinum support is at \$1,600 and \$1,580, resistance at \$1,630. Palladium support is at \$455 and resistance at \$465.**

By Walter de Wet

Energy

Crude oil prices continue to yo-yo about, with front month WTI coming back under pressure yesterday after putting in a solid performance on Tuesday. Weaker equity markets and the stronger dollar were the main factors dragging prices lower yesterday, however, against this backdrop the market is continuing to be limited by technical levels.

This morning has seen front month WTI trade sideways ahead of this afternoon's DOE data, with prices hovering around yesterday's closing levels. Brent is also trading water, with the market lacking direction and waiting for something to happen.

The US DOE inventory report is expected to show a 2.4 million barrel increase in Crude Oil Inventories, a 2.0 million barrel increase in Gasoline stocks and no change in stocks of Distillates. Refinery Utilisation is expected to post a 0.50% decline. Significant departures from consensus expectations will impact on prices, however, as seen in previous days, the performance of the dollar and the equity markets this afternoon may have a greater sway over price direction

Thermal coal prices rallied overnight in the wake of the Chinese data, before coming back under pressure heading into the afternoon. Wednesday saw prices come under pressure, in line with the wider commodities complex, with API2 for Q1-2010 dropping \$2.05 to \$82.20. API4 also came under pressure, with Q1-2010 dropping \$1.55 to \$84.85.

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	4,640,750	4,622,225	24,575	6,050	18,525	11,850	242,550	5.23	145,117
Copper	534,650	526,650	8,100	100	8,000	32,325	7,150	1.34	101,927
Lead	153,175	152,175	1,000	-	1,000	6,675	575	0.38	32,974
Nickel	161,706	161,292	444	30	414	3,696	1,374	0.85	19,705
Tin	27,325	27,425	-	100	-100	560	990	3.62	7,638
Zinc	490,100	488,750	1,500	150	1,350	2,050	3,625	0.74	77,972

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	17,300	17,400	-170	Ali Jan'10	-	-	-	-
Copper	60,770	60,750	-710	Cu Jan'10	336	334.75	-0.75	-0.22%
Zinc	20,600	20,560	-375					

ZAR metal prices (20 January 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,919	55,890	18,056	142,501	134,733	18,529	7.5060
3-month	17,318	56,319	17,525	143,595	135,730	18,670	7.6360

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)	85.24	0.07	83.19	-0.12	83.81	-0.27	86.26	-0.01	90.57	0.09
Gasoil 0.1% Rdam (\$/mt)	616.00	1.75	623.50	1.75	629.75	1.25	648.75	0.50	684.50	0.25
NWE CIF jet (\$/mt)	695.34	-0.25	683.00	-0.78	690.15	-0.25	710.85	0.42	749.45	0.93
Singapore Kero (\$/bbl)	86.87	0.06	84.74	-0.07	85.41	-0.17	87.79	0.02	92.92	0.09
3.5% Rdam barges (\$/mt)	452.05	-0.30	441.25	-4.00	444.00	-3.25	449.00	-2.50	456.50	-2.00
1% Fuel Oil FOB (\$/mt)	465.76	-3.90	461.25	-3.75	465.00	-3.50	477.50	-3.00	495.25	-2.00
Sing FO 380 Cargo (\$/mt)	471.75	-1.75	471.25	-1.75	471.50	-2.25	473.75	-2.50	475.00	-2.50
Sing FO180 Cargo (\$/mt)	492.04	1.07	477.25	-1.75	476.75	-2.00	479.00	-2.50	475.00	-2.50

Thermal coal	Q1-10		Q2-10		Q3-10		Cal 11		Cal 12	
API2 (CIF ARA)	82.20	-2.90	82.40	-1.25	86.50	1.00	85.45	-0.40	98.95	4.60
API4 (FOB RBCT)	84.85	-1.55	83.40	-2.95	85.25	-3.20	85.45	-2.60	93.95	-2.80

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.17167	0.18500	0.20000	0.22833	0.34833		
Silver	0.58000	0.58000	0.56833	0.59667	0.61167		
USD Libor	0.23063	0.23938	0.24888	0.39000	0.87563		

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	48.49	1,131.53	1,121.06	1,086.20	1,011.34	1,100.00	1,120.00
Silver	49.35	18.38	17.92	17.49	15.75	17.85	18.40
Platinum	62.62	1,603.04	1,549.00	1,405.50	1,297.65	1,600	1650
Palladium	71.35	446.63	426.73	353.16	301.52	440	460

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	1,101.80	17.6450	460.05	1,617.60	1,102.90	3,259.00	1,103.20
Open Interest	521,694	129,663	23,262	34,352	1,671	132,413	2,399
Change in Open Interest	0	0	141	-453	-201	-1,924	0

Date: 20 January 2010

Sources: Standard Bank; LME; Bloomberg

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