

Commodities

Commodities: Daily



28 January 2011

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- Oil was dragged down by disappointing US economic data yesterday. Front-month WTI lost \$1.69/bbl, to close at \$85.64/bbl, while front-month Brent lost only 52c/bbl, to close at \$97.39/bbl. The front-month WTI/Brent spread narrowed further, to -\$11.51/bbl, as the M1/M3 spread in WTI weakened by \$1.03/bbl.
- After a brief respite, selling pressure resumed on precious metals markets yesterday. With the dollar largely unchanged, the moves were mostly attributable to reduced demand for safe-haven assets on the prospect of a strengthening global economy. The effect of waning investor demand, as evidenced by dwindling holdings by exchange-trade products, was aggravated by the absence of physical buying.

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

Commodity price data (27 January 2011)

Base metals LME 3-month									
	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	2,411	2,428	2,439	2,425	40	0.71%	2,391.00	28	-18.25
Copper	9,480	9,442	9,500	9,415	71	-0.40%	9,490.00	114	10.50
Lead	2,422	2,420	2,430	2,401	44	-0.08%	2,490.00	46	59.00
Nickel	26,749	26,500	26,625	26,500	-5	-0.93%	26,800.00	645	-30.00
Tin	29,000	29,125	29,200	29,010	475	0.43%	29,195.00	680	43.00
Zinc	2,265	2,265	2,297	2,258	10	0.00%	2,251.00	12	-16.25
Energy									
	Open	Close	High	Low	day/day	Change (%)			
ICE Brent	97.44	97.88	97.88	97.29	0.49	0.50%			
NYMEX WTI	85.28	85.58	85.59	85.11	-0.06	-0.07%			
ICE Gasoil	815.25	818.75	818.75	815.25	1.75	0.21%			
API2 Q1'11	116.75	117.90	-	-	1.15	0.98%			
ICE EUA Dec'11	14.97	14.77	-	-	-0.20	-1.34%			
Precious metals									
	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's		
Gold	1,337.50	1,334.50	1,347.90	1,317.50	1,318.80	-14.70	0.6/1.0		
Silver	-	26.64	27.80	26.82	27.03	-0.10	-0.4/-0.2		
Platinum	1,803.00	1,807.00	1,815.00	1,795.00	1,800.00	8.00	0.0/2.0		
Palladium	809.00	814.00	815.00	806.00	810.00	8.00	-1.0/1.0		

Sources: Standard Bank; LME; BBG

Please refer to the disclaimer at the end of the document.

Base metals

The base metals stabilized and picked up on Thursday, with the change in momentum apparently triggering CTA buying interest during Friday morning. All of the metals have started the day strongly, with tin the strongest performer so far and hitting new records in the process.

All eyes are on this afternoon's US GDP data, expected to come in at an annualized rate of 3.5% in Q4, from 2.6% in Q3. Also released this afternoon is the final University of Michigan Confidence figure for January. While this may cause a bit of a wobble, it is unlikely to distract the market too much from the GDP numbers.

In recent days copper has seen increased activity overnight, which we attribute to Chinese participants winding down their LME-SHFE arbitrage positions ahead of the Chinese New Year. Changes to SHFE margin requirements around the New Year period, concerns over the potential for additional changes to monetary policy, and the fact that with the holiday occurring mid-week some participants will likely to extend their holiday until February 14th, have all resulted in traders taking a more cautious approach than in the past.

Interestingly, the sentiment on the ground in China, from the speculative/physical community at least, appears to be that the fund community will help send copper prices higher either during or shortly after the New Year period. This may have seen participants look to hang onto material rather than sell it, which in turn perhaps explains the second successive weekly draw-down in SHFE inventories, down 1,114 mt last week.

In contrast, much of the fund community is looking for a recovery in the Chinese physical market in order to kick-start what looks to many to be the inevitable rally above \$10,000/mt. Consequently, the second half of February looks like being an interesting, and potentially very volatile time for the copper market.

In terms of LME inventories, copper stocks have continued to pick up, with on warrant stocks climbing 2,600 mt this morning. This has brought the total increase in on-warrant inventory over the past week to just under 22kt, or an increase of 6.35%, with around half of the tonnage entering warehouse in Asia.

Price-wise, copper has rallied back above \$9,600 heading into Friday afternoon, though prices have stalled somewhat after the initial rally during the morning. Turnover is lower than previous days, with the market looking ahead to the US GDP data.

Elsewhere, lead has continued to recover, climbing above \$2,450, while fresh aluminium buying this morning has seen the light metal rub shoulders with its heavier sibling, with aluminium also trading above \$2,450. Zinc has also started to play catch up, trading above \$2,300, however, tin remains the star performer, with the metal rapidly closing in on the \$30,000 mark. Nickel turnover has been much more subdued this morning, however another fall in on-warrant LME stocks, down 396mt, has helped boost sentiment, with prices continuing to make upwards progress.

By Leon Westgate

Energy

Oil was dragged down by disappointing US economic data yesterday. Front-month WTI lost \$1.69/bbl, to close at \$85.64/bbl, while front-month Brent lost only 52c/bbl, to close at \$97.39/bbl. The front-month WTI/Brent spread widened further, to -\$11.51/bbl, as the M1/M3 spread in WTI weakened by \$1.03/bbl.

The total oil product inventories at ARA rose by 254kt during the past week. Inventories for all oil products increased, except those of gasoil with a 153kt fall, dipping below the 2010 level. Meanwhile, Singapore total oil product inventories fell by 706kbbbls, with the changes in inventories of light distillates, middle distillates and residue fuels at -643kbbbl, -586kbbbl and +523kbbbls respectively.

In the absence of significant developments in oil supply and demand, the oil market was led by the US economic data yesterday. The US weekly initial jobless claims numbers jumped to 454K from 404K seen in the previous week, much higher than the expected 405K. In addition, the US December durable goods orders fell by 2.5% m/m, much lower than the consensus of 1.5% increase. Both weighed on the oil prices.

The rally in the oil price towards \$100/bbl appears to have stalled for now, at least in WTI. As we pointed out in our *Energy Weekly* published yesterday, the oil market today is in a very different position to that at the beginning of 2008. Today we have the combination of *high OPEC spare capacity*, *high refining spare capacity* and *high oil inventories*. All of the three factors are limiting significant upside in oil in H1:11.

However, the oil market today and that at the beginning of 2008 face two similar challenges: *inflation fuelled by high commodity prices* and *high oil prices burdening the global economy*. The policy responses to inflation in emerging markets and the negative impact on economic recovery in the developed economies pose some significant downside risks.

For the week ahead, we expect the tug of war between WTI and Brent to continue, as Brent seems to be targeting \$100/bbl again while WTI could breach \$85 to the downside. Right now, we see a higher probability of WTI dragging Brent down than the converse. Consumers may therefore look to step in and take advantage of the current weakness in the market.

By James Zhang

Precious metals

After a brief respite, selling pressure resumed on precious metals markets yesterday. With the dollar largely unchanged, the moves were mostly attributable to reduced demand for safe-haven assets on the prospect of a strengthening global economy. The effect of waning investor demand, as evidenced by dwindling holdings by exchange-trade products, was aggravated by the absence of physical buying.

Looking forward, with dollar continuing to track sideways we don't see much direction for precious metals being taken from the FX market. However, a poor showing on Asian and European stocks as well as US equity futures in the red, points to some relief for precious metals on returning investor demand. Concerns over Japan's debt downgrade could deepen interest in safe-haven assets. Given their stronger fundamentals, we expect attention to be focused on PGMs.

With prices particularly low, we might see some physical buying return to the market, although given the lack of enthusiasm over the past few days, we don't expect this to lend too much support.

Gold support is at \$1,297 and \$1,285. Resistance is at \$1,336 and \$1,361. Silver support is at \$26.33 and \$26.03, resistance is at \$27.37 and \$28.11.

Platinum support is at \$1,754 and \$1,749, resistance is at \$1,792 and \$1,823. Palladium support is at \$790 and resistance at \$808.

By Marc Ground

Base metals

Daily LME Stock Movement (mt)

Metal	Today	Yesterday	In	Out	One day change	YTD change (mt)	Cancelled		Contract turnover
							warrants (mt)	Cancelled warrants (%)	
Aluminium	4,530,725	4,536,200	1,000	6,475	-5,475	253,675	172,800	3.81	234,131
Copper	397,275	394,700	3,900	1,325	2,575	19,725	28,800	7.25	128,572
Lead	276,925	275,300	1,900	275	1,625	68,650	3,325	1.20	23,348
Nickel	135,186	134,862	834	510	324	-486	6,180	4.57	23,276
Tin	17,720	17,705	40	25	15	1,445	995	5.62	9,322
Zinc	711,050	711,175	75	200	-125	9,625	2,775	0.39	71,425

Shanghai 3-month forward prices

Metal	Open	Last	1d Chnge	COMEX active month future prices				
				Open	Close	Change	Change (%)	
Aluminium	16,750	16,850	90	Ali Mar'11	-	-	-	-
Copper	71,470	71,880	600	Cu Mar'11	434	431.85	-2.00	-0.46%
Zinc	18,195	18,500	295					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,902	67,085	17,602	189,449	206,379	15,912	7.0690
3-month	17,390	67,627	17,333	189,804	208,605	16,223	7.1624

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)	108.13	0.10	109.78	0.98	110.32	0.94	111.67	0.90	113.17	0.87
Gasoil 0.1% Rdam (\$/mt)	818.75	1.75	824.25	1.75	827.25	1.00	836.00	7.25	850.25	6.75
NWE CIF jet (\$/mt)	882.69	0.89	902.08	7.50	904.61	7.00	912.97	6.50	927.64	5.50
Singapore Kero (\$/bbl)	109.81	0.11	111.88	0.98	112.02	0.94	113.07	0.78	115.27	0.87
3.5% Rdam barges (\$/mt)	506.58	0.44	510.00	2.75	509.00	2.75	508.75	2.25	513.75	2.25
1% Fuel Oil FOB (\$/mt)	513.96	0.30	522.50	3.75	523.25	3.50	528.50	2.50		
Sing FO180 Cargo (\$/mt)	535.52	0.51	538.25	3.25	536.50	3.00	535.50	2.25		

Thermal coal	Q1-11		Q2-11		Q3-11		Cal 11		Cal 12	
API2 (CIF ARA)	117.90	1.15	114.25	1.25	114.50	1.25	115.60	1.20	115.75	0.25
API4 (FOB RBCT)	118.90	0.65	116.00	1.25	114.75	1.25	115.90	0.90	112.35	0.35

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.34500	0.36000	0.38000	0.44500	0.61333		
Silver	-0.03833	-0.03833	-0.03833	0.03400	0.01000		
USD Libor	0.26000	0.28313	0.30438	0.45469	0.78125		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	40.92	1,342.77	1,361.16	1,356.71	1,285.11	1,297.00	1,336.00
Silver	45.82	27.59	28.44	26.18	22.31	26.33	27.37
Platinum	52.28	1,806.36	1,785.61	1,707.06	1,637.85	1,754.00	1,792.00
Palladium	56.63	806.27	793.89	685.22	583.67	790.00	808.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Apr'11	Mar'11	Apr'11	Apr'11	Feb'11	Dec'11	Apr'11
Settlement	1,313.20	26.6700	795.80	1,803.50	1,311.80	3,500.00	1,313.90
Open Interest	491,222	124,221	21,724	41,574	1,954	132,863	2,318
Change in Open Interest	14,825	1,008	-93	421	-44	1,208	-39

Sources: Standard Bank; LME; Bloomberg

Forecasts

Base metals

Base metals LME cash prices (US\$/mt)						
	Q1:11	Q2:11	Q3:11	Q4:11	Avg. 2011	Avg. 2012
Aluminium	2,460	2,470	2,350	2,440	2,430	2,510
Copper	9,150	8,900	9,300	9,450	9,200	10,000
Lead	2,450	2,390	2,520	2,560	2,480	2,600
Nickel	24,500	23,800	22,000	22,500	23,200	22,000
Tin	26,200	27,000	29,000	29,800	28,000	29,500
Zinc	2,350	2,300	2,250	2,380	2,320	2,500

Energy

Energy front-month prices						
	Q1:11	Q2:11	Q3:11	Q4:11	Avg. 2011	Avg. 2012
WTI (\$/bbl)	90	90	93	95	92	100
Brent (\$/bbl)	92	91	94	96	93.50	100
ICE Gasoil (\$/mt)	760	775	790	790	780	830
Nymex RBOB Gasoline (c/gal)	240	245	245	240	245	260
API2 Coal Cif ARA (\$/mt)	120	115	110	115	115	120
API4 Coal Fob Richards Bay (\$/mt)	120	115	110	115	115	115

Precious metals

Precious metals spot prices (US\$/oz)						
	Q1:11	Q2:11	Q3:11	Q4:11	Avg. 2011	Avg. 2012
Gold	1,370	1,440	1,500	1,435	1,430	1,450
Silver	27.00	28.35	28.20	27.35	27.70	27.80
Platinum	1,850	1,800	1,750	1,950	1,850	2,000
Palladium	780	740	700	880	775	850
Rhodium	2,400	2,300	2,400	2,700	2,500	3,000

Source: Standard Bank

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