

Focus: Platinum provides a buying opportunity Platinum is holding up despite the sell-off in commodity markets. Also, despite concerns over global growth, we still believe that auto sales are recovering. We believe platinum remains well placed for more upside. At current price levels and after liquidation of speculative positions on NYMEX, we believe platinum provides a buying opportunity.

- After heavy selling yesterday, base metals are finding support in London after selling in Shanghai this morning. We foresee further support as the day progresses.
- Precious metals are succumbing to dollar strength — and dollar strength is being accompanied by increased risk aversion. The source of the dollar strength remains the problems in the Eurozone. Concerns about Greece's fiscal stability increased yet further yesterday.
- Crude oil is holding up remarkably well despite the broad-based sell-off in financial markets and commodity markets. With equity market on the rise again this morning, we expect crude oil to find increasing support as the day progresses.

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Commodity price data (28 January 2010)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,147	2,109	2,172	2,086	-72	-1.76%	2,126.00	-23	-31.25
Copper	7,025	6,900	7,145	6,821	-340	-1.78%	7,042.00	-202	-22.00
Lead	2,105	2,060	2,125	2,031	-70	-2.14%	2,089.50	-51	-24.00
Nickel	18,000	18,355	18,505	17,740	155	1.97%	18,150.00	215	-75.00
Tin	17,674	17,575	17,900	17,450	-300	-0.56%	17,650.00	-275	-57.00
Zinc	2,185	2,159	2,222	2,130	-78	-1.19%	2,155.50	-99	-20.00

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	72.20	72.45	72.46	71.75	0.32	0.44%
NYMEX WTI	73.82	73.96	74.03	73.31	0.32	0.43%
ICE Gasoil	585.25	587.50	588.00	583.00	4.00	0.68%
API2 Q1'10	83.10	81.70	-	-	-1.40	-1.71%
EUA Dec10	13.53	14.50	-	-	0.97	7.17%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,091.75	1,088.00	1,096.30	1,075.00	1,084.30	-0.70	0.3/0.7
Silver	-	16.26	16.72	16.02	16.17	-0.27	0.5/2.5
Platinum	1,517.00	1,517.00	1,524.00	1,490.00	1,495.00	-10.00	-1.5/0.5
Palladium	421.00	426.00	423.00	412.00	415.00	-1.00	-1.5/0.5

Sources: Standard Bank; LME; BBG



Focus: Platinum provides a buying opportunity

Platinum is holding up despite the sell-off in commodity markets. We revisit our estimate above-ground stock for platinum (refer to graph).

We estimate the current above-ground stock for platinum at around 1,570,000oz; this is the highest level since 2001. But the current interest in ETFs continues to move metal further away from the market. Currently, ETF holdings (including the new US platinum ETF) are at ~920K oz. This is 75K higher than two weeks ago. The rise in ETF holdings comes despite financial market risk rising and the dollar strengthening in recent days.

Given our estimate of above-ground stock of platinum at 1.57m oz, ETF holdings at 920K oz, available visible stock, excluding ETF holdings, is at 620K oz (of which 136,900oz is COMEX inventory). This puts available metal in Switzerland at 513K oz (using the latest Swiss customs data).

Also, despite concerns over global growth, **we still believe that auto sales are recovering**. The combined auto sales in China, US, EU and Japan ended Dec 2009 on a high, defying the very weak start to that year. Auto sales were higher, mainly due to China sales, but the US and Japan sales also showed signs of recovery in H2:09 (refer to Figure 2).

Although there could be more non-visible stock in private hands, the market is tighter than it has been for a long time. While prices can't rise forever, and there will be a supply response (via recycling, jewellery, etc.), the supply response is likely to be slower than the current rise in investment demand. **We believe platinum remains well placed for more upside**. At current price levels and after liquidation of speculative positions on NY-MEX, we believe **platinum provides a buying opportunity**.

Base metals

After heavy selling yesterday, **base metals are finding support in London after selling in Shanghai this morning**. We foresee further support as the day progresses.

Financial markets, most notably equity markets, are also finding support today in Europe. The futures market in the US is also pushing higher. Looking at recent correlations, **higher equities could see base metal prices move up**.

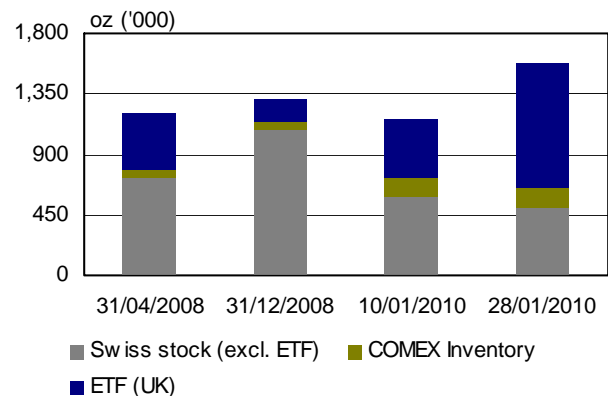
In Shanghai, SHFE copper stocks were up 3,902mt for the week, while aluminium stocks were up 5,481mt. Both these figures assisted in the metal pushing lower. Copper pushed as low as \$6,830 and aluminium as low as \$2,070. Arbitrage buying activity between Shanghai and LME is slowing as the Chinese New Year approaches. However, physical premiums still signal good support for copper despite the current sell-off in copper. This physical support is also support by the steepening of the backwardation in the copper forward curve (refer to *Commodities Daily 28 January 2010*).

Nickel continues to find support at the \$18,000 level despite the rest of the complex under pressure. Labour disputes in Canada are supporting nickel despite indications from Vale Inco that production would resume at their Voisey's Bay mine.

The rest of the complex is weak; **lead and zinc remain under selling pressure**.

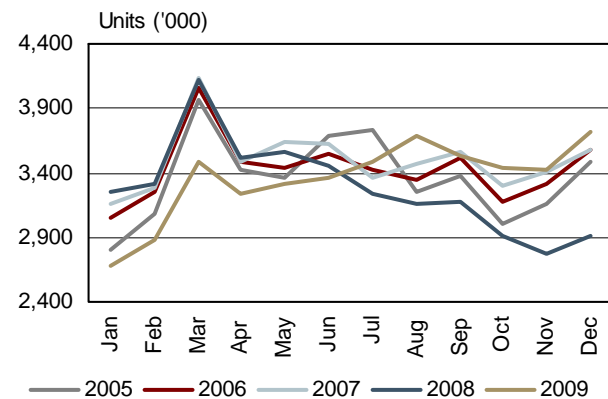
It is the last trading day of the month, and major participants may look for a positive close to January. **We could see a flurry of buying and short-covering today**.

Platinum above-ground stock



Sources: Standard Bank, Swiss Customs, Various ETF's, COMEX

Auto sales (US, China, EU, Japan)



Source: Bloomberg

By Walter de Wet

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Precious metals

Precious metals are succumbing to dollar strength — and dollar strength is being accompanied by increased risk aversion. The source of the dollar strength remains the problems in the Eurozone. Concerns about Greece's fiscal stability increased yet further yesterday.

We remain cautious on gold. Despite the stronger dollar which is weighing on investment demand, we continue to see very good physical demand out of Asia. Physical demand is strong ahead of the Chinese New Year (in two weeks' time), which is supporting the gold price. However, the physical demand may slow substantially within the next week or two.

Gold support is at \$1,175 and \$1,063, resistance at \$1,097 and \$1,105.

Although **platinum and palladium** are not gaining much ground, both metals remain well supported and are seeing **good buying on the dips**. The US platinum ETF continues to accumulate metal at a steady pace, with the latest figure putting platinum holdings at 214,900oz. There may be temporary weakness and volatility, but we believe **both are set to push higher**. **Platinum support is at \$1,500 and \$1,480, resistance at \$1,550. Palladium support is at \$415 and resistance at \$430.**

Silver still looks vulnerable and given that we are wary of gold, we see more headwinds for silver. If physical demand for gold slows within the next two weeks, silver could see even more downside. Some support for silver may come from a partial rebound in copper after the red metal sold off aggressively yesterday. **Silver support is at \$15.90 and \$15.60, with resistance at \$16.65 and \$17.00.**

By Walter de Wet

Energy

Crude oil is holding up remarkably well despite the broad-based sell-off in financial markets and commodity markets. With equity market on the rise again this morning, **we expect crude oil to find increasing support as the day progresses**.

Much of the weakness in crude oil has come from concerns about Greece's fiscal stability. While the issue is not resolved yet, the EU has indicated that they might be a lender-in-last-resort for Greece. If more details about assistance for Greece from the EU emerges, we would expect the dollar to give up recent gains.

Weather-related support seems minimal. That said, although the week ahead is not expected to be extremely cold, forecasts indicate that we may see a short cold spell at the start of the week, which is expected to fizzle out towards Friday.

Although today is the last trading day of the month and the market may look for a positive close, we do not expect February to start with the same being flurry as January did. Risk appetite could remain subdued ahead of next Friday's US non-farm payrolls data.

WTI front-month support is at \$73.00 and \$72.20, while resistance is at \$74.60 and \$75.30.

For a few days now, we have seen **forward prices for thermal coal pushing lower**. The only support has been at front-month contracts. This was due to immediate supply issues in especially China. However, even front-month prices are now looking to push slightly lower again. API2 for delivery in February closed at \$81.25 — down \$1.05.

By Walter de Wet

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	4,619,200	4,623,800	1,125	5,725	-4,600	-9,700	254,650	5.51	206,900
Copper	540,175	538,600	2,575	1,000	1,575	37,850	11,200	2.07	114,535
Lead	156,125	155,775	500	150	350	9,625	9,750	6.24	26,007
Nickel	163,518	163,704	120	306	-186	5,508	1,248	0.76	22,247
Tin	27,740	27,640	200	100	100	975	1,465	5.28	5,839
Zinc	496,650	496,200	600	150	450	8,600	3,400	0.68	75,014

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,820	16,070	-400	Ali Jan'10	-	-	-	-
Copper	56,530	56,060	-1,520	Cu Jan'10	310	309.95	0.15	0.05%
Zinc	18,015	17,845	-635					

ZAR metal prices (28 January 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,100	53,329	15,824	137,450	133,663	16,324	7.5730
3-month	16,241	53,136	15,864	141,350	135,343	16,626	7.7009

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)	84.26	-0.01	79.32	-1.46	79.77	-1.58	81.88	-1.66	85.91	-1.62
Gasoil 0.1% Rdam (\$/mt)	587.50	4.00	594.25	4.25	599.75	4.00	617.25	3.00	648.50	-0.25
NWE CIF jet (\$/mt)	685.51	-1.37	653.03	-12.65	658.63	-12.46	678.01	-12.08	714.45	-11.82
Singapore Kero (\$/bbl)	85.89	-0.04	80.97	-1.56	81.47	-1.63	83.43	-1.76	88.31	-1.62
3.5% Rdam barges (\$/mt)	448.91	-0.60	427.50	-6.00	428.50	-6.25	431.25	-6.50	437.00	-6.50
1% Fuel Oil FOB (\$/mt)	464.26	-0.38	442.75	-6.25	446.25	-6.00	456.75	-8.00		
Sing FO 380 Cargo (\$/mt)	452.25	-6.25	452.25	-6.25	452.75	-6.25	455.25	-6.25		
Sing FO180 Cargo (\$/mt)	486.49	0.25	459.50	-6.00	458.50	-6.25	459.75	-6.25		

Thermal coal	Q2-10		Q3-10		Q4-10		Cal 10		Cal 11	
API2 (CIF ARA)	81.70	-0.15	84.70	1.25	87.95	1.30	84.30	1.40	94.05	-0.40
API4 (FOB RBCT)	80.20	0.90	81.30	0.60	82.70	0.75	82.00	0.55	87.35	-0.60

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.16500	0.18167	0.19667	0.23333	0.36500
Silver	0.56833	0.56833	0.57667	0.58833	0.59333
USD Libor	0.22875	0.23875	0.24875	0.38563	0.85375

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.79	1,102.51	1,118.24	1,091.81	1,017.32	1,085.00	1,105.00
Silver	41.71	17.26	17.77	17.50	15.88	16.20	16.90
Platinum	52.93	1,565.09	1,567.57	1,420.23	1,308.08	1,500.00	1,550.00
Palladium	55.69	439.87	435.21	361.00	307.32	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGDX GLD	TOCOM GLD	CBOT GLD
	Feb'10	Mar'10	Mar'10	Apr'10	Feb'10	Dec'10	Feb'10
Settlement	1,085.00	16,2700	418.80	1,493.90	1,087.20	3,156.00	1,082.00
Open Interest	497,470	124,582	22,975	34,882	1,090	121,591	2,299
Change in Open Interest	10,095	313	379	-185	208	1,152	-55

Date: 28 January 2010

Sources: Standard Bank; LME; Bloomberg

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