

FICC Research

Commodities: Daily



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- Although the Dow moved above its 200-day MA on Tuesday, before closing just below, the base metals had a surprisingly muted response, coming under pressure during Asian trade. A subsequent burst of activity during the London pre market have seen the metals rally strongly heading into the early afternoon, though volumes remain lacklustre with the market still not totally convinced by the latest move higher.
- The strength in the equity markets has robbed gold of some of its strength, with prices drifting back from the \$1,215 level back below \$1,210/oz heading into the afternoon. Gold remains very much rangebound, but unsurprisingly is lagging the industrial metals and equity markets
- Crude Oil close strongly on Tuesday, with front month WTI finishing the day at \$77.15. WTI has since drifted lower heading into the afternoon, broadly following fluctuations in the dollar. Looking ahead to this afternoon, the performance of the US equity markets, in particular whether the Dow can push convincingly through its 200-day MA.

Commodity price data (13 July 2010)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,964	1,996	2,005	1,989	23	1.63%	1,948.00	-19	-19.75
Copper	6,610	6,690	6,699	6,640	55	1.21%	6,596.00	-35	-20.25
Lead	1,790	1,827	1,824	1,810	42	2.07%	1,766.50	-41	-20.75
Nickel	19,326	19,600	19,551	19,475	350	1.42%	19,300.00	90	-60.00
Tin	18,000	18,000	17,920	17,900	475	0.00%	17,600.00	-140	-10.00
Zinc	1,835	1,866	1,860	1,833	10	1.69%	1,817.50	-11	-25.75

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	76.96	76.51	76.96	76.23	-0.14	-0.18%
NYMEX WTI	77.13	77.05	77.35	76.81	-0.10	-0.13%
ICE Gasoil	653.75	652.25	653.75	649.75	-1.00	-0.15%
API2 Q3'10	93.25	93.50	-	-	0.25	0.27%
EUA Dec10	14.16	13.84	-	-	-0.32	-2.26%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,206.50	1,216.00	1,218.30	1,197.00	1,213.20	14.90	-0.2/0.2
Silver	-	18.23	18.34	17.89	18.24	0.33	0.0/2.0
Platinum	1,523.00	1,534.00	1,534.00	1,510.00	1,528.00	18.00	2.0/4.0
Palladium	455.00	463.00	467.00	456.00	466.00	15.00	-0.5/1.5

Sources: Standard Bank; LME; BBG

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Base metals

Although the Dow moved above its 200-day MA on Tuesday, before closing just below, the base metals had a surprisingly muted response, coming under pressure during Asian trade. A subsequent burst of activity during the London pre market have seen the metals rally strongly heading into the early afternoon, though volumes remain lacklustre with the market still not totally convinced by the latest move higher.

Solid earnings figures continue to lend support to the wider markets. The US Advance Retail Sales this afternoon were broadly in-line with expectations (-0.5% in June compared to consensus expectation of -0.3%) and are unlikely to have an impact.

Looking ahead to the Chinese data due to be released overnight, there will likely be a knee-jerk reaction to the figures if they are significantly out of line with expectations, however, as far as the GDP figures go, worse than expected figures would not necessarily be a bearish signal. Instead lower GDP figures would suggest that government efforts to reign in spending have been successful, meaning that the government may opt to loosen the purse strings over the balance of the year. Of key interest will be the Chinese Retail Sales figures, expected up 18.8% y-o-y in June, with continuing strong domestic demand a vital pillar for the Chinese economy and its demand for raw materials.

Zinc has been interesting in so much as the lack of price response compared to other metals. The metal has also seen relatively good turnover over the past few days, suggesting it is the focus of a mini battle. Open interest for the metal has drifted lower over the past couple of weeks, suggesting the large short position that appeared to have been built up during May and June, may have diminished somewhat. The market nevertheless feels like it is being purposely smothered, which will likely see some participants embark on "stop-hunting" expeditions should the market gather a bit of upwards momentum.

Copper has climbed back above \$6,700 this morning, though prices have stalled ahead of US trade. On-warrant LME stocks dropped by 5,250 mt this morning, though unlike recent stock flows, most of the activity occurred in the US with large warrant cancellations at Mobile and New Orleans having little impact on market sentiment.

In other news, a 6.5 Richter scale earthquake hit the Chilean region of Bio Bio, however there are no significant mining/smelting operations nearby. Also of note is a recent jump in Chinese spot TC/RC's to around \$20/mt and 2¢/lb, from numbers that had been heard in negative territory. TC/RCs are still very low, however the increase appears to be due to a number of smelter maintenance shutdowns.

Precious metals

The strength in the equity markets has robbed gold of some of its strength, with prices drifting back from the \$1,215 level back below \$1,210/oz heading into the afternoon. Gold remains very much rangebound, but unsurprisingly is lagging the industrial metals and equity markets.

Interestingly, the PGM's are making heavy weather of it, with both platinum and palladium in consolidation mode so far this morning, following yesterday afternoon's rally. Palladium is edging higher, however platinum remains rangebound.

Meanwhile, the gold ETF's have been fairly stable with the SPDR ETF remaining unchanged and ETF Securities seeing only an 18.7k oz decrease, suggesting investors are generally happy with their gold exposure for the moment given the underlying concerns over the global macroeconomic picture.

Silver saw decent physical interest emerge around \$17.80 yesterday, helping establish a floor for prices. The metal has been unable to consolidate after yesterday afternoon's rally however with the metal following gold lower heading into the afternoon.

Energy

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Yesterday's API inventory figures showed gains across the board, with crude inventories climbing 1,736 K bbl, gasoline stocks up 1,733 K and distillate stocks up 3,192 K. The API figures may have primed the market for a bearish suite of DOE Inventory figures this afternoon.

Consensus expectations are for a 1,500 K draw in crude oil stocks, and a 1,000 K increase in distillate inventory. Gasoline stocks are expected to remain unchanged.

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	4,383,550	4,389,925	500	6,875	-6,375	-245,350	273,775	6.25	161,390
Copper	432,550	435,250	0	2,700	-2,700	-69,775	27,175	6.28	117,152
Lead	188,700	189,075	200	575	-375	42,200	13,525	7.17	40,436
Nickel	119,964	120,240	0	276	-276	-38,046	5,256	4.38	25,097
Tin	16,205	16,350	5	150	-145	-10,560	1,050	6.48	4,435
Zinc	616,125	616,300	0	175	-175	128,075	23,350	3.79	82,529

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Change		Open	Close	Change	Change (%)
Aluminium	14,800	14,800	40	Ali May'10	-	-	-	-
Copper	53,010	53,080	260	Cu May'10	302	301.65	-0.10	-0.03%
Zinc	15,000	15,035	80					

ZAR metal prices (13 July 2010)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,751	49,948	13,377	146,149	133,276	13,763	7.5725
3-month	15,345	51,431	14,046	150,681	138,380	14,345	7.6878

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)	84.84	1.33	86.94	2.50	87.38	2.34	88.88	2.23	91.78	91.78
Gasoil 0.1% Rdam (\$/mt)	652.25	-1.00	656.50	-1.00	660.50	-1.00	673.50	15.75	695.50	15.00
NWE CIF jet (\$/mt)	689.77	10.47	704.45	16.84	710.86	16.04	725.63	15.33	757.99	14.75
Singapore Kero (\$/bbl)	85.37	1.24	87.79	2.25	88.48	2.19	90.38	2.18	93.23	1.92
3.5% Rdam barges (\$/mt)	416.95	7.32	425.75	10.75	426.25	9.75	432.50	8.75	451.06	8.52
1% Fuel Oil FOB (\$/mt)	453.69	6.63	464.50	8.50	467.00	8.75	474.75	8.25		
Sing FO 380 Cargo (\$/mt)	446.00	10.25	446.00	10.25	446.00	10.25	446.00	10.25		
Sing FO180 Cargo (\$/mt)	445.85	6.61	452.75	10.50	453.50	9.25	461.00	8.50		

Thermal coal

	Q3-10	Q4-10	Q1-11	Cal 11	Cal 12
API2 (CIF ARA)	93.25	-1.50	94.10	-1.65	96.10
API4 (FOB RBCT)	91.50	-1.00	91.10	-0.75	93.10

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.47000	0.52667	0.56167	0.65000	0.74167
Silver	0.71600	0.72000	0.72000	0.77000	0.77000
USD Libor	0.34094	0.42531	0.52594	0.73313	1.14500

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	51.43	1,204.72	1,224.06	1,176.81	1,142.18	1,085.00	1,105.00
Silver	50.23	17.98	18.37	17.99	17.66	16.30	16.90
Platinum	45.04	1,517.53	1,543.06	1,611.94	1,535.36	1,500.00	1,550.00
Palladium	49.82	447.48	460.76	481.65	432.86	420.00	433.00

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Aug'10	Sep'10	Sep'10	Oct'10	Aug'10	Jun'11	Aug'10
Settlement	1,213.50	18.2650	466.75	1,535.40	1,213.60	3,479.00	1,213.40
Open Interest	563,311	118,435	19,781	28,112	991	116,171	3,194
Change in Open Interest	7,084	-22	291	61	-1	1,254	122

Date: 13 July 2010

Sources: Standard Bank; LME; Bloomberg

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