

Focus — We believe that **the underlying fundamental market will remain the main driver of the platinum price amid relatively low speculative activity**. Also, we view the futures market picture is more bullish for palladium than platinum.

- The improving interbank lending market is as a positive sign, as it should improve liquidity flow — which we view as **bullish for precious metals**.
- **Gold has now broken through \$950.**
- **Platinum and palladium remain range-bound.**
- Chinese crude oil stock-piling, with shipments into the country's Strategic Petroleum Reserve increasing 400,000bpd, and a weaker US dollar **kept front-month crude oil prices well anchored above the \$60/bbl** despite weak US labour market and manufacturing activity data. We note that the WTI/Brent differential fell to \$1.12/bbl yesterday, after climbing to \$1.48/bbl on Wednesday, **signaling that some investors are now pricing in a slower US crude oil demand recovery.**
- **Base metals have regained all the ground** lost yesterday, spurred by Chinese buying of copper and a much weaker US dollar. At the same time, **oil remains just above \$60/bbl, which is lending further support toward industrial metals.**

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Commodity price data (21 May 2009)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,465	1,450	1,495	1,442	-41	-2.75	1,430.00	-22	-35.00
Copper	4,495	4,470	4,610	4,425	-145	-3.13	4,504.00	-35	-18.00
Lead	1,420	1,391	1,450	1,378	-73	-4.99	1,420.00	-16	-7.50
Nickel	12,250	12,125	12,550	12,074	-525	-4.15	12,300.00	-135	-80.00
Tin	13,650	13,490	13,650	13,200	-400	-2.92	13,705.00	-295	195.00
Zinc	1,467	1,444	1,517	1,438	-75	-4.94	1,443.00	-6	-26.50

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1-m vol	ATM 6-m vol	ATM 1-y vol
ICE Brent	60.12	60.55	60.64	60.10	0.62	1.02%	54.42	42.24	35.95
NYMEX WTI	61.05	61.63	61.73	61.05	0.58	0.94%	46.37	41.31	35.28
ICE Gasoil	486.00	485.75	486.00	485.75	9.00	1.85%	39.80	37.11	31.37
API2 Q3'09	66.00	65.25	-	-	-0.75	-1.15%	-	-	-
ICE EUA Dec09	15.15	15.10	-	-	-0.05	-0.33%	-	-	-

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	940.00	937.50	956.20	936.70	950.50	13.50	-0.20/0.20
Silver	-	14.47	14.55	14.15	14.43	0.17	-1.00/1.00
Platinum	1,152.00	1,138.00	1,158.00	1,144.00	1,147.00	5.00	2/6
Palladium	235.00	233.00	234.00	234.00	233.00	0.00	0/3

Sources: Standard Bank; LME; Bloomberg

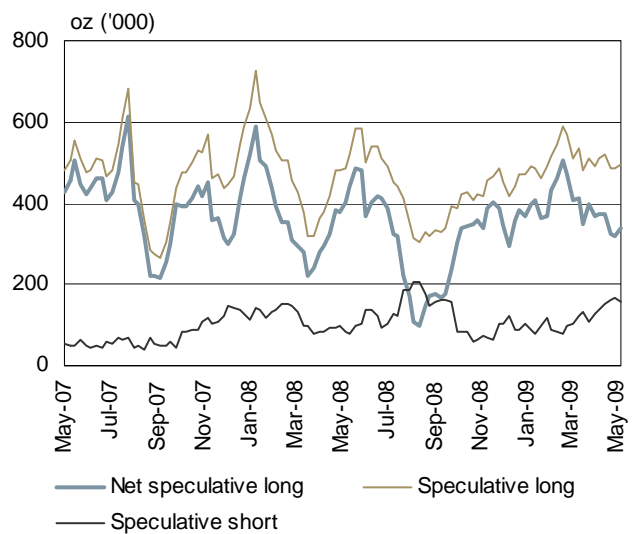


Focus: Platinum and palladium futures

For platinum, open interest on NYMEX remains high, reaching 1,06m oz yesterday. At the same time, there has been a steady decline in net long speculative positions on this exchange. This decline was driven by short positions rising to 150,000oz last week. The long speculative position now stands at 498,600oz. As a percentage of total open interest, the net long speculative position has been declining steadily, from 49% in February to only 34% last week. This shows that speculative activity remains fairly low and well balanced. This confirms our view that **the underlying fundamental market will remain the main driver of the platinum price amid relatively low speculative activity.**

We believe the futures market picture is more bullish for palladium than platinum. Palladium open interest is low (compared to previous periods), while net speculative positions have remained subdued. Net speculative longs are at 682,500oz. However, as a percentage of open interest, net speculative positions are at 44% (because open interest is so low). Although not excessively high, reaching as high as 58% in

NYMEX Platinum CFTC data



Sources: CFTC; Standard CIB Global Research

the past two years, it does show that, relative to platinum, there is **more speculative activity in the futures market.**

Base metals

Base metals have regained all the ground lost yesterday, spurred by Chinese buying of copper and a much weaker US dollar. At the same time, **oil remains just above \$60/bbl, which is lending further support toward industrial metals.** But after a strong rally early this morning, base metals could look at the dollar and equity markets for direction as we head towards the end of the week. This could be even more so, with no major data releases today and public holiday in the UK on Monday. But so far, European equity markets are higher, and US futures market signals the same for US equities.

After copper led the complex lower yesterday, it is leading metals higher today. The latest Chinese customs data shows that Chinese copper imports in April were a record 317,947mt — a rise of 7% from March. This strong import figure, combined with another decline of 2,700 tonnes in LME warehouse stock and a US dollar which is pushing towards \$1.4000 against the euro, have conspired to push copper to \$4,600 this morning. In Shanghai, stockpiles have also fallen by 1,591mt to 33,798mt. On the supply side, China's Ministry of Industry and Information indicated that almost all of China's copper producers are profitable, while other non-ferrous metal producers have narrowed losses. This is further confirmation that production cuts for copper are likely to be limited.

Aluminium is still a straggler today. With the metal breaking below \$1,485 yesterday, it could find some support at \$1,450 – \$1,430. Stock levels pushed higher by 15,350mt today in LME warehouses. While aluminium has not tracked crude oil recently, the fact that crude prices remain stubbornly above \$60/bbl might see the metal fend of further downside.

The other base metals are drifting higher, alongside copper. Zinc is trading just above \$1,500 on the back of copper and a decline of inventories of 330mt gaining almost 4% so far today. Nickel, lead and tin all saw a rise in LME inventories. However, the metals should track copper throughout the day.

By Walter de Wet

Precious metals

Slowly but surely, the interbank lending market is returning to normal — at least according to US 3-month LIBOR. The LIIBOR declined to 0.66% yesterday. This puts the spread between the Fed Funds target rate and US Libor at its lowest level since March 2008. We view this as a positive sign, and it should improve the flow of liquidity to the market — which we view as **bullish for precious metals** in the medium term.

Gold has now broken through \$950 on the back of dollar weakness, lower equity prices, and physical buying support. At the beginning of the week, the dollar traded at \$1.3425 against the euro. This morning, the dollar touched \$1.3979. But with gold at \$950, we believe further gains ahead of a long weekend in the US and UK could be limited today. As indicated in our *Precious Metals Insight* of 18 May 2009, \$950 was the target, and upside could be limited for now. For the first time in three weeks we have seen more scrap selling than buying. Combined with the fact that there is no major data due for release today, we **could see some consolidation and profit-taking today**. We advise caution. Gold support is at \$941 and \$928, and resistance at \$961 and \$969.

Platinum and palladium remain range-bound, with platinum seeing selling coming through whenever the metal approaches \$1,160. palladium is finding resistance at \$235. While both metals have found some support from the weaker dollar, they have not benefited to the same extent as gold. We expect this to continue because fundamentals in the PGM market remain weak and a correction in the base metals market could see PGM decline again.

Silver is holding up well, finding good support from gold. This morning, buying pushed the metal well above \$14.40. Support is at \$14.20 and \$13.92. Resistance at \$14.68 and \$14.85.

By Walter de Wet

Energy

Chinese crude oil stockpiling, with shipments into the country's Strategic Petroleum Reserve increasing 400,000bpd, and a weaker US dollar, **kept front-month crude oil prices well anchored above the \$60/bbl** despite weak US labour market and manufacturing activity data.

US initial jobless claims surprised on the upside, at 631,000, against market expectations for 625,000. The Philadelphia Fed Business outlook index for May fell to -22.6 against market consensus at -18, warning of downside risks for US crude oil demand. Front-month WTI crude oil slipped from \$61.88/bbl to \$60.21/bbl during the London session before climbing back to \$61.63/bbl in New York trade. We note that the WTI/Brent differential fell to \$1.12/bbl yesterday, after climbing to \$1.48/bbl on Wednesday, **signaling that some investors are now pricing in a slower US crude oil demand recovery**. Despite this, the front-month WTI crude oil contract still garnered support in Asia and early London trade today climbing to \$61.73/bbl. Noteworthy, weekly Baker Hughes' US oil rig count remained on a decline falling to 918 for the week ending 15 May, from 928 the week before that. A lower rig counts signals decreasing US future crude oil supply capacity which should bode-well for the back-end of the WTI crude oil forward curve.

Thermal coal prices were under pressure during European trade as oil prices slipped in London. However, growing Indian and Chinese demand could see prices push higher. According to Chinese Customs, thermal coal imports increased 3.4 million tonnes in April, to 9.16 million tonnes amid opportunistic buying from power providers.

With India's manufacturing sector growing again, amid improved business confidence according to India's bi-annual business outlook survey, the country's domestic coal supply is likely to tighten again reinforcing robust Chinese demand. We believe this bodes well for thermal coal contract prices. Weighing on thermal coal however, Japanese industrial electricity usage remains under pressure — realizing an average 25.8% y/y decline in April. In contract price developments, API2(CIF ARA) and API4 (FOB) for Q3:09 delivery shed \$0.75/mt and \$0.90/mt to \$65.25/mt and \$58.75/mt respectively.

Carbon emissions contract prices also dipped lower yesterday. Active-year ICE EUA shed EUR0.05/mtCO₂ to EUR15.10/mtCO₂. UN-backed CER for December 2009 delivery shed EUR0.25/mtCO₂, to EUR12.30/mtCO₂.

By Manqoba Madinane

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	4,191,975	4,176,625	17,025	1,675	15,350	1,863,075	44,575	1.06	193,548
Copper	333,375	336,075	700	3,400	-2,700	-6,400	52,875	15.86	92,282
Lead	74,525	74,275	250	0	250	29,375	225	0.30	17,999
Nickel	109,776	109,704	84	12	72	31,386	6,426	5.85	18,491
Tin	14,350	14,060	365	75	290	6,560	655	4.56	9,679
Zinc	317,750	318,050	0	300	-300	64,250	6,500	2.05	49,309

Shanghai 3-month forward prices

Metal	Open	Last	1d Chnge	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	12,680	12,670	-75	Ali May'09	68	68.00	0.00	0.00%
Copper	36,000	35,960	-480	Cu May'09	205	208.65	3.55	1.73%
Zinc	12,650	12,785	45					

ZAR metal prices (21 May 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	12,071	38,018	11,986	103,824	115,684	12,180	8.4410
3-month	12,443	38,360	11,937	104,052	115,766	12,392	8.5816

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)	63.03	-0.68	64.65	-0.57	64.73	-0.65	68.06	-0.43	74.33	-0.53
Gasoil 0.1% Rdam (\$/mt)	485.75	9.00	497.00	9.50	508.00	9.50	528.75	-3.75	575.75	-3.75
NWE CIF jet (\$/mt)	510.38	-0.98	525.09	-4.59	536.65	-4.50	569.81	-3.91	621.39	-3.75
Singapore Kero (\$/bbl)	63.60	0.79	65.15	-0.62	66.08	-0.70	70.61	-0.43	77.52	-0.54
3.5% Rdam barges (\$/mt)	319.35	2.92	325.10	-7.74	323.54	-8.21	325.70	-6.82	338.15	-6.80
1% Fuel Oil FOB (\$/mt)	323.01	5.10	337.60	-6.49	344.04	-7.96	357.95	-6.82	381.15	-6.80
Sing FO 380 Cargo (\$/mt)	346.10	-9.24	343.29	-8.96	342.19	-8.47	345.25	-7.40	359.18	-8.06
Sing FO180 Cargo (\$/mt)	345.25	7.47	348.50	-9.24	346.50	-9.21	348.25	-7.82	359.18	-8.06

Thermal coal

	Q3-09		Q4-09		Q1-10		Cal 11		Cal 12	
API2 (CIF ARA)	65.25	-0.75	71.25	-1.00	91.95	-1.25	98.00	-1.25	103.75	-1.25
API4 (FOB RBCT)	58.75	-0.90	64.45	-1.00	82.35	-0.90	88.10	-1.25	93.25	-1.25

Carbon

	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.75	-0.05	15.10	-0.05	15.80	-0.07	16.48	-0.10	17.48	-0.10
ICE - ECX CER (€/mt)	12.30	-0.20	12.30	-0.25	12.40	-0.20	16.48	-0.10	17.48	-0.10

Precious metals

Forwards (%)

	1-month	2-month	3-month	6-month	12-month
Gold	0.35857	0.48000	0.54429	0.58714	0.62000
Silver	0.10000	0.10000	0.10714	0.13571	0.21429
USD Libor	0.30875	0.50875	0.66125	1.17000	1.48625

Technical Indicators

	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	57.95	926.20	914.05	906.88	857.43	940.00	960.00
Silver	59.91	14.07	13.55	12.80	11.92	14.17	14.65
Platinum	54.42	1,130.10	1,128.67	1,074.16	1,040.07	1,457.00	1,164.00
Palladium	54.75	231.95	228.16	210.74	212.19	230.00	235.00

Active Month Future

	COMEX GLD Jun'09	COMEX SLV Jul'09	NYMEX PAL Jul'09	NYMEX PLAT Jul'09	DGCX GLD Jun'09	TOCOM GLD Apr'10	CBOT GLD Jun'09
Settlement	952.50	14.4750	235.50	1,154.70	953.00	2,896.00	952.80
Open Interest	379,936	95,719	16,360	21,297	839	84,142	4,115
Change in Open Interest	12,005	-360	-128	123	17	1,023	-101

Date: 21 May 2009

Sources: Standard Bank; LME; Bloomberg

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