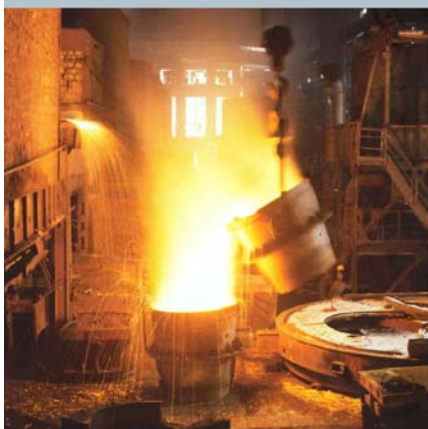


2 November 2009



**Focus:** Speculative interest in platinum and palladium remains high. Speculative interest in both metals has been high for some time. We believe that the speculative length should make it difficult for PGM prices (in dollar terms) to rally substantially higher without the help of dollar weakness. The speculative length is making platinum and palladium subject to downward corrections; we believe these dips should be bought.

- In the wake of the erratic and volatile trading seen last week, the base metals have made a tentative and nervy start, trading sideways heading into the afternoon. The dollar is continuing to have some effect on price direction, however, the market appears to be on hold until this week's key economic data is out of the way.
- Risk aversion was high at market close in the US on Friday. Despite equity futures trading higher this morning, indicating possible upside for US equities today, risk appetite remains limited.
- After crude oil optimism fizzled out on Friday, on a stronger US dollar and concerns that prices were ahead of macroeconomic fundamentals, front-month WTI crude oil has found support in early Asian trade this morning — rising from \$75.50/bbl to \$77.68/bbl. But it has slid back to \$77/bbl ahead of the European session.

**Walter de Wet\* CFA**

+44 (20) 3145 6821

Walter.DeWet@standardbank.com

**Leon Westgate\***

+44 (20) 7626 6004

Leon.Westgate@standardbank.com

**Manqoba Madinane\***

+27 (11) 378 7220

Manqoba.Madinane@standardbank.co.za

**Commodity price data (30 October 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,933	1,908	1,962	1,903	-45	-2.30	1,903.00	3	-32.75
Copper	6,580	6,480	6,685	6,465	-185	-2.77	6,575.00	151	-24.75
Lead	2,347	2,305	2,378	2,277	-55	-2.33	2,322.00	25	-23.50
Nickel	18,455	18,300	18,800	18,175	-440	-2.35	18,465.00	5	-45.00
Tin	14,850	14,750	14,920	14,530	-350	-2.33	14,755.00	-645	125.00
Zinc	2,214	2,165	2,278	2,158	-65	-2.92	2,195.00	-12	-26.37

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	75.24	75.81	75.95	74.98	0.61	0.80%
NYMEX WTI	77.02	77.29	77.68	76.56	0.49	0.63%
ICE Gasoil	620.00	623.00	623.00	620.00	-1.75	-0.28%
API2 Q4'09	75.75	75.85	-	-	0.10	0.13%
ICE EUA Dec09	14.32	14.32	-	-	0.00	0.00%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,052.00	1,040.00	1,048.50	1,036.00	1,039.50	-7.00	0.1/0.5
Silver	-	16.61	16.69	16.16	16.21	-0.43	0.0/2.0
Platinum	1,334.00	1,320.00	1,334.00	1,320.00	1,318.00	-12.00	4/6
Palladium	326.00	324.00	329.00	321.00	322.00	-4.00	1/3

Sources: Standard Bank; LME; BBG



## Focus: Speculative interest in PGM persists

### Speculative interest in platinum and palladium remains high.

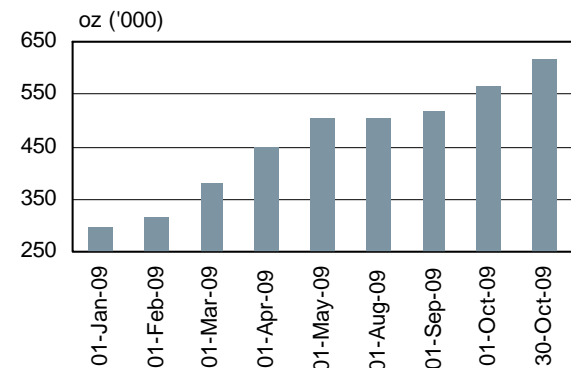
The latest CFTC data shows that the net speculative position for platinum has risen by 11,500oz last week, to 971,350oz (61% of open interest). Palladium net speculative length increased by 73,500oz, to 1,290,400oz (57% of open interest).

Speculative interest in both metals has been high for some time. We believe that the speculative length should make it difficult for PGM prices (in dollar terms) to rally substantially higher without the help of dollar weakness. **The speculative length is making platinum and palladium subject to downward corrections; we believe these dips should be bought.**

As with gold, we have seen ETF holdings rise in both platinum and palladium. Platinum ETF holdings stand at 615,000oz (296,660oz at the start of 2009). Palladium ETF holdings are now at 1,097,600oz (663,360oz at the start of 2009). While ETF holdings could see the market flooded with platinum and palladium, the holdings so far have been tightly held, and the general trend in holdings is higher.

Cost pressures from South African producers are still providing downside support for PGM prices. Our latest estimate of the PGM cost curve shows that at the current PGM basket price, about 8% of production is at risk (on a cash-cost basis). However, at the

Figure 1: ETF platinum holdings



Source: Global Markets Research

average YTD PGM basket price, we estimate that 35% of production is at risk. Using costs as guideline, PGM prices could still rise. Other metals, such as copper and zinc, which we know have plenty of above-ground stock, are trading well above the cash-cost of production for most marginal producers.

However, once PGM prices have risen to levels where less production is at risk (due to cost pressures), we do not see sufficient demand yet to incur much higher prices. **We continue to target platinum at ZAR11,200.**

By Walter de Wet

## Base metals

In the wake of the erratic and volatile trading seen last week, the base metals have made a tentative and nervy start, trading sideways heading into the afternoon. The dollar is continuing to have some effect on price direction, however, the market appears to be on hold until this week's key economic data is out of the way. Wednesday sees the announcement of the FOMC rate decision (expected unchanged at 0.25%) followed on Thursday by the Bank of England rate announcement, plus perhaps more importantly any changes to its Asset Purchase Target. The ECB rate decision is also announced on Thursday. As a consequence, it seems likely that the market will tread water until the data is digested by the market.

This afternoon release of the US ISM Manufacturing Index for October (expected at 53.0), and the September Pending Home Sales and Construction spending figures (expected at 0.0% and -0.2% respectively). The figures will be watched closely by the market and may result in a noisy afternoon, however the focus remains on Wednesday and Thursday's key announcements.

Copper has had a relatively quiet start to the day, trading sideways heading into the afternoon. The metal is keeping one eye on the dollar, but appears to be taking a breather after the wild price swings seen towards the end of last week. Inventory-wise, although on-warrant LME stocks climbed 775 mt, of note was a 1,000 mt fall in stocks in Busan, reflecting the drawdown of recently cancelled material. In other news, workers at BHP Billiton's Spence mine are expected to resume wage negotiations next week. The strike at the 200 ktpy capacity mine has now entered its 19th day.

Zinc has been tracking copper this morning, though a 400 mt fall in available LME stocks have lent the metal a bit of additional support. Aluminium has also benefited from declining LME stocks, with a 4,600 mt fall in available inventory helping to shore up prices. Turnover has been solid, indicating decent two-way interest in the metal.

Elsewhere, Nickel has seen another increase in LME stocks this morning, with Rotterdam seeing a 2,784 mt increase in on-warrant stocks, in the form of full plate cathodes. With inflows of full plate cathodes into Rotterdam becoming a common occurrence over the past couple of months, the data had little or no impact on prices this morning.

By Leon Westgate

## Precious metals

Risk aversion was high at market close in the US on Friday. Despite equity futures trading higher this morning, indicating possible upside for US equities today, **risk appetite remains limited**. The VIX is at levels last seen in early July. The correlation across markets has risen substantially again — especially the correlation between precious metals and other financial markets.

**Gold remains well supported** and there is good physical buying interest whenever gold approaches \$1,040. We expect a few range-bound few days as we head towards Wednesday (when the Fed decides on its next monetary policy move).

While we see the Fed raising interest rates earliest Q4:10, the probability the futures market assign to this is rising by the month. Currently, the futures market assigns a probability of 34.4% to the Fed raising rates by 25 bps in April 2010. Three months ago, this probability was 15.4%. **Less accommodative monetary policy could be negative for gold**.

**Gold support is at \$1,040 and \$1,030, and resistance at \$1,055 and \$1,060.**

While silver is finding some support this morning, we believe upside remains limited because of subdued risk appetite. We see **silver support at 16.00 and \$15.80, and resistance at \$17.00 and \$17.60.**

Walter de Wet

## Energy

After crude oil optimism fizzled out on Friday, on a stronger US dollar and concerns that prices were ahead of macroeconomic fundamentals, **front-month WTI crude oil has found support in early Asian trade this morning** — rising from \$75.50/bbl to \$77.68/bbl. But it has slid back to \$77/bbl ahead of the European session.

Japan has posted positive vehicle sales, at a 12.6% y/y increase in October ( a 3.5% y/y expansion in September). China's PMI China's PMI expanded 0.72% to 55.4, above the 50 threshold level, which is an indication that China's manufacturing sector is still expanding. **Although these are positive crude oil demand signals, we believe the \$80/bbl level could still provide strong resistance for front-month WTI crude**. Watch out for this week's US crude oil inventory data; the first set of data from the API, due tomorrow, should offer clues on US crude oil demand.

On the supply-side, OPEC supply continues to climb higher, rising to the highest level in 10 months, as members take advantage of higher crude prices. OPEC output averaged 28.76mbpd in October, 80,000 barrels higher than September. Rising crude oil supply, in an environment of lackluster demand, could increase the global supply overhang, which will most likely weigh on crude oil.

**Thermal coal prices at the front-end of the thermal coal forward curve slipped on Friday**, weighed down by lower crude oil prices. Both API2(CIF ARA) and API4(FOB) for December 2009 delivery shed \$0.10/mt to \$75.50/mt and \$68.10/mt respectively. Positive for thermal coal today, the Baltic Dry index (a measure of global freight rates) gained 2.98% to the highest level since August — this could signal that global dry bulk trade activity is improving.

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	4,555,525	4,559,025	700	4,200	-3,500	2,226,625	124,125	2.72	183,425
Copper	372,175	372,200	1,200	1,225	-25	32,400	2,850	0.77	97,249
Lead	129,600	129,850	50	300	-250	84,450	275	0.21	27,568
Nickel	129,528	126,822	2,802	96	2,706	51,138	972	0.75	22,061
Tin	26,575	26,610	-	35	-35	18,785	300	1.13	10,084
Zinc	428,525	428,925	-	400	-400	175,025	11,500	2.68	70,196

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,100	15,180	-85	Ali Nov'09	-	-	-	-
Copper	50,430	50,660	-620	Cu Nov'09	296	297.90	2.35	0.80%
Zinc	16,430	16,725	-80					

### ZAR metal prices (30 October 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,748	50,956	17,996	143,104	114,351	17,011	7.7600
3-month	15,033	51,055	18,161	144,184	116,214	17,058	7.8916

## 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)	83.81	-2.11	84.53	-2.19	85.26	-2.30	87.80	-2.33	-	-
Gasoil 0.1% Rdam (\$/mt)	623.00	-1.75	630.50	-1.75	641.00	-18.50	660.25	-18.00	697.25	-17.00
NWE CIF jet (\$/mt)	672.89	-17.94	682.72	-17.58	695.90	-18.15	724.39	-17.82	761.92	-17.16
Singapore Kero (\$/bbl)	84.11	-2.31	85.33	-2.29	86.46	-2.40	89.22	-2.43	94.39	-2.38
3.5% Rdam barges (\$/mt)	430.09	-12.73	432.27	-13.23	436.67	-13.16	442.82	-12.57	450.21	-12.79
1% Fuel Oil FOB (\$/mt)	452.59	-12.98	456.27	-12.98	465.67	-12.91	477.07	-12.57	500.21	-12.79
Sing FO 380 Cargo (\$/mt)	452.27	-13.73	454.17	-13.66	456.04	-13.46	461.05	-13.19	-	-
Sing FO180 Cargo (\$/mt)	455.09	-13.73	457.27	-13.73	459.67	-13.66	465.07	-13.32	-	-

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	75.85	0.10	87.95	-1.25	82.30	-0.95	99.70	-1.30	109.80	-1.30
API4 (FOB RBCT)	67.75	0.00	78.15	-1.35	73.25	-1.00	89.70	-1.30	99.80	-1.30
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.31	0.00	14.32	0.00	14.67	-0.01	15.24	-0.05	16.03	-0.07
ICE - ECX CER (€/mt)	13.40	0.00	13.20	0.00	13.00	0.00	12.98	-0.02	13.31	-0.06

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.22500	0.24000	0.29400	0.35400	0.59600		
Silver	0.55400	0.55400	0.55400	0.55800	0.59600		
USD Libor	0.24350	0.25781	0.28063	0.56438	1.19938		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	58.18	1,047.69	1,050.47	977.26	951.30	1,037.00	1,050.00
Silver	50.63	16.98	17.30	15.23	14.35	16.12	16.73
Platinum	53.91	1,339.28	1,340.36	1,252.57	1,185.69	1,314.00	1,340.00
Palladium	59.35	330.10	326.88	281.75	251.01	319.00	330.00
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'09	Sep'09	Oct'09	Oct'09	Aug'09	Jun'10	Aug'09
Settlement	1,045.80	16.4200	324.00	1,326.30	1,045.30	3,037.00	1,045.60
Open Interest	496,105	131,992	22,620	31,198	1,883	99,243	4,321
Change in Open Interest	-4,911	-400	194	-378	-7	8,767	16

Date: 30 October 2009

Sources: Standard Bank; LME; Bloomberg

## Disclaimer

### Certification

The analyst(s) who prepared this research report (denoted by an asterisk\*) hereby certifies(y) that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and issuer(s) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

### Conflict of Interest

It is the policy of The Standard Bank Group Limited and its worldwide affiliates and subsidiaries (together the "Standard Bank Group") that research analysts may not be involved in activities in a way that suggests that he or she is representing the interests of any member of the Standard Bank Group or its clients if this is reasonably likely to appear to be inconsistent with providing independent investment research. In addition research analysts' reporting lines are structured so as to avoid any conflict of interests. For example, research analysts cannot be subject to the supervision or control of anyone in the Standard Bank Group's investment banking or sales and trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those sales and trading departments may conflict with your interests. **Please note that one or more of the analysts that prepared this report sit on a sales and trading desk of the Standard Bank Group.**

### Legal Entities:

#### To U. S. Residents

Standard New York Securities, Inc. is registered with the Securities and Exchange Commission as a broker-dealer and is also a member of the FINRA and SIPC. Standard Americas, Inc is registered as a commodity trading advisor and a commodity pool operator with the CFTC and is also a member of the NFA. Both are affiliates of Standard Bank Plc and Standard Bank of South Africa. Standard New York Securities, Inc is responsible for the dissemination of this research report in the United States. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Standard New York Securities, Inc.

#### To South African Residents

The Standard Bank of South Africa Limited (Reg.No.1962/000738/06) is regulated by the South African Reserve Bank and is an Authorised Financial Services Provider.

#### To U.K. Residents

Standard Bank Plc is authorised and regulated by the Financial Services Authority (register number 124823) and is an affiliate of Standard Bank of South Africa. The information contained herein does not apply to, and should not be relied upon by, retail customers.

### General

This research report is based on information from sources that Standard Bank Group believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or member of the Standard Bank Group gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of the Standard Bank Group and the research analyst's involvement with any issuer referred to above).

All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts you should consult your investment advisor. The investments discussed may fluctuate in price or value.

Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Members of Standard Bank Group may act as placement agent, advisor or lender, make a market in, or may have been a manager or a co-manager of, the most recent public offering in respect of any investments or issuers referenced in this report. Members of the Standard Bank Group and/or their respective directors and employees may own the investments of any of the issuers discussed herein and may sell them to or buy them from customers on a principal basis. This report is intended solely for clients and prospective clients of members of the Standard Bank Group and is not intended for, and may not be relied on by, retail customers or persons to whom this report may not be provided by law. This report is for information purposes only and may not be reproduced or distributed to any other person without the prior consent of a member of the Standard Bank Group. Unauthorised use or disclosure of this document is strictly prohibited. By accepting this document, you agree to be bound by the foregoing limitations. Copyright 2009 Standard Bank Group. All rights reserved.