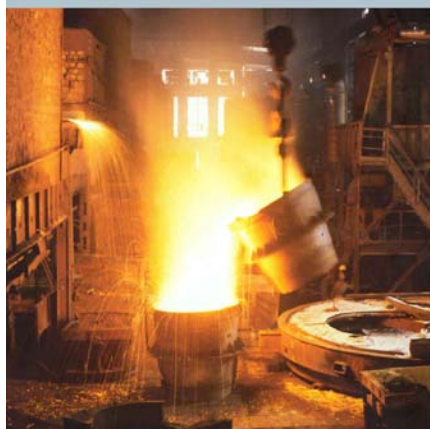


3 November 2009



**Focus: Aluminium forward curves - rock steady so far** While metals such as copper have had a rollercoaster ride over the past few months Aluminium has been relatively calm. This can be seen in the evolution of the forward curves of these two metals over the past 3 months.

- Financial markets are nervous; we expect precious metals to remain range-bound. Precious metals remain well supported despite dollar strength; we see limited upside ahead of tomorrow's Fed meeting.
- Risk aversion persists; we believe this will restrain crude oil prices ahead of tomorrow's Fed meeting. Crude oil prices are trending side-ways this morning after positive signs from China and US manufacturing sectors yesterday. The greenback, which is trading below \$1.4700 against the euro, is offsetting positive economic data.
- Much better than expected US economic data saw the base metals recover strongly during Monday afternoon, however the recovery ran out of momentum and quickly stalled.
- Overall the base metals complex is looking rather tired and heavy, with a stronger dollar this morning helping put the base metals back under pressure heading into Tuesday afternoon.

**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 (2 November 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,911	1,917	1,929	1,886	5	0.26	1,869.00	-34	-33.75
Copper	6,502	6,560	6,565	6,415	70	1.08	6,473.00	-102	-24.50
Lead	2,280	2,298	2,320	2,248	-7	-0.30	2,260.00	-62	-24.75
Nickel	18,200	18,065	18,325	17,812	-190	-1.04	18,170.00	-295	-44.00
Tin	14,700	14,900	14,850	14,600	75	0.51	14,900.00	145	75.00
Zinc	2,183	2,196	2,210	2,132	35	1.62	2,145.00	-50	-26.00

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	76.55	76.59	76.94	76.48	0.04	0.05%
NYMEX WTI	78.09	78.04	78.46	77.94	-0.09	-0.12%
ICE Gasoil	628.75	629.00	630.00	628.75	1.75	0.28%
API2 Q4'09	75.85	76.10	-	-	0.25	0.33%
ICE EUA Dec09	14.60	14.54	-	-	-0.06	-0.41%

**Precious metals**

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,052.00	1,062.00	1,062.60	1,044.25	1,053.50	14.00	0.1/0.5
Silver	-	16.60	16.72	16.37	16.38	0.17	0.0/2.0
Platinum	1,334.00	1,330.00	1,338.00	1,323.00	1,332.00	14.00	4/6
Palladium	326.00	324.00	325.00	324.00	323.00	1.00	1/3

Sources: Standard Bank; LME; BBG



### Focus: Aluminium forward curves - rock steady so far

While metals such as copper have had a rollercoaster ride over the past few months Aluminium has been relatively calm. This can be seen in the evolution of the forward curves of these two metals over the past 3 months (see figures 1 & 2). Aluminium is particularly striking as the forward curve last week, compared to three months ago has essentially remained unchanged, whereas copper prices have rallied right along the forward curve.

Aluminium's stability can, in part, be attributed to the high level of LME inventory which has acted as a buffer, dampening price movements in spite of sharp gains elsewhere. However, the physical market is now starting to show signs of picking up.

Headline LME inventories are still incredibly high, at well over 4.55 million tonnes, however, cancelled warrants have started to pick up again - currently standing at over 125,000 mt, or 2.7% of total inventories - while headline inventories are also declining as this material is removed from warehouse. Nevertheless, premiums for metal, particularly in Southern Europe remain anomalously high, with recent reports putting them at \$145/mt.

The high premiums reflect a combination of increased demand from consumers, the lack of readily available LME material due to warehousing deals, and also the impact of generally reduced availability in the region after significant tonnages of Russian material (usually sold into Europe), were picked up by a merchant earlier in the year.

If physical demand continues to gather pace, this should support nearby prices, tightening the nearby spreads. The question then becomes whether this is enough to see rent deals start to be broken/not renewed, or whether merchants step in to benefit from the premiums, keeping LME material in warehouse. Either way,

## Base metals

Much better than expected US economic data saw the base metals recover strongly during Monday afternoon, however the recovery ran out of momentum and quickly stalled. Overall the base metals complex is looking rather tired and heavy, with a stronger dollar this morning helping put the base metals back under pressure heading into Tuesday afternoon.

With US September Factory Orders the only economic data of note this afternoon, it seems likely the metals will look to the currency and equity markets for short term direction. Overall however, the market still remains focused on the various central bank rate announcements tomorrow and Thursday.

Copper finished Monday relatively strongly, closing just over 1% higher at \$6,560. The metal failed to consolidate its position however, and, after again climbing initially during Asian trade, has since come under pressure from a stronger dollar, trading back below \$6,400. Also weighing on prices has been a net 1,500 mt increase in on-warrant stocks, the main location for the increase being various US warehouses. Volumes remain pretty healthy however with the price weakness seemingly attracting some sporadic buying interest.

Elsewhere, the other base metals are again looking to copper and the dollar for direction. Volumes have picked up a little, but remain subdued overall.

In other news, the Peruvian government has announced that Doe Run will have to provide \$100 million in financial guarantees in order to restart its La Oroya lead and zinc smelting complex. The smelter has been closed since June.

Figure 1: Aluminium forward curves (\$/mt)

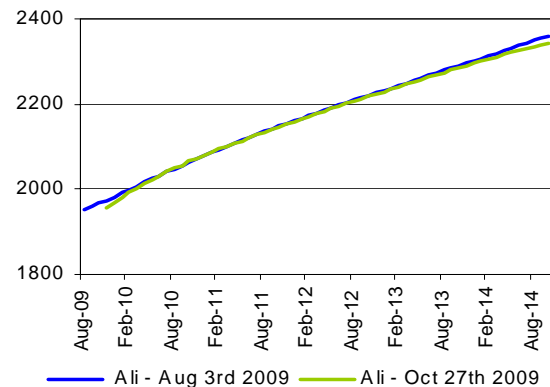
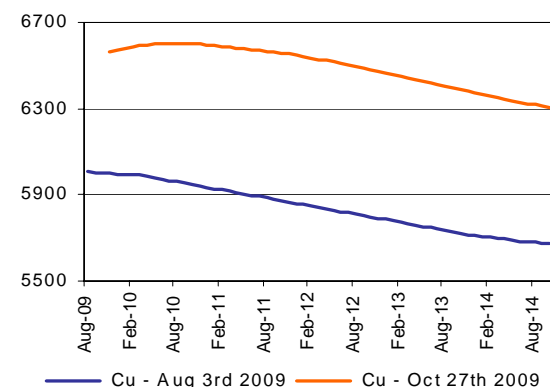


Figure 2: Copper forward curves (\$/mt)



Source: LME

the Aluminium forward curve looks set to be a bit more interesting over the next few months than it has been recently.

By Leon Westgate

## Precious metals

**Financial markets are nervous; we expect precious metals to remain range-bound.** Precious metals remain well supported despite dollar strength; we see limited upside ahead of tomorrow's Fed meeting.

The Fed is due to decide on its next move on US monetary policy. Financial markets have come to rely on liquidity provided by central banks, and signs of liquidity withdrawal are setting markets on edge. The Reserve Bank of Australia has increased interest rates by 25 bps — the second time in as many meetings. This has made markets really edgy ahead of tomorrow's Fed meeting and Thursday's ECB meeting.

However, we believe the Fed will signal continued accommodative policy well into 2010, which would not only calm current market fears, but also support commodities. As a result, being long ahead of the meeting might be preferred.

**Buy dips.**

The IMF has sold 200 tonnes of gold to the Reserve Bank of India at an average price of \$1,045. These 200 tonnes are part of the IMF's 403.3 tonnes gold it had said it would sell. The IMF has sold almost half of its 403 tonnes without a major disruption; we view this as supportive of the gold price. The rest of the IMF's holdings will probably be sold to other central banks.

There was good physical gold selling on the highs yesterday; **the current trading range for gold is between \$1,040 and \$1,070. We expect this to hold.**

With base metals under pressure, combined with a stronger dollar, silver is set to struggle. **support is at \$16.25 and \$16.00, with resistance at \$16.70 and \$16.90.**

US manufacturing orders data is due this afternoon, and this evening, ABC consumer confidence in the US as well as US car sales data.

On the PGM front, look out for US car sales (tonight). Any number higher than 9.8m units sold (annualized) should be **viewed as bullish and could support specifically palladium.**

Walter de Wet

## Energy

**Risk aversion persists; we believe this will restrain crude oil prices ahead of tomorrow's Fed meeting.** Crude oil prices are trending side-ways this morning after positive signs from China and US manufacturing sectors yesterday. The greenback, which is trading below \$1.4700 against the euro, is offsetting positive economic data.

With no major economic data from Asia this morning, **front-month WTI crude oil ranged between \$78.47/bbl and \$77.95/bbl** ahead of the European session; the European Commission is due to give its economic growth forecasts. In the US, all eyes will be on today's API inventory data following last week's 3,532K barrel run on crude stockpiles (which was counter to the DOE's inventory build-up).

**Thermal coal contracts were a mixed bag yesterday.** API2(CIF ARA) for December 2009 delivery gained \$0.25/mt, to \$76.10/mt, benefiting from increased freight rates as the Baltic Dry index climbed 2.6% yesterday. API4(FOB) for December 2009 delivery shed \$0.50/mt, to \$67.25/mt. Export tonnage at Australia's Newcastle Coal Terminal increased 12.86% m/m, a positive sign on coal demand growth in the Asia-Pacific region.

**Carbon contracts drifted lower despite firmer crude oil prices.** ICE EUA for December 2009 delivery slipped EUR0.09/mtCO<sub>2</sub>, to EUR14.54/mtCO<sub>2</sub>. UN-backed CER for December 2009 delivery slipped EUR0.04/mtCO<sub>2</sub>, to EUR13.61/mtCO<sub>2</sub>.

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	4,552,050	4,555,525	875	4,350	-3,475	2,223,150	125,925	2.77	146,460	
Copper	373,800	372,175	1,800	175	1,625	34,025	2,975	0.80	76,739	
Lead	129,650	129,600	75	25	50	84,500	250	0.19	20,522	
Nickel	129,384	129,528	-	144	-144	50,994	900	0.70	23,993	
Tin	26,465	26,575	-	110	-110	18,675	195	0.74	7,045	
Zinc	428,075	428,525	#N/A	N/A	450	-450	174,575	11,050	2.58	61,962

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,200	15,210	50	Ali Nov'09	-	-	-	-
Copper	50,700	50,890	370	Cu Nov'09	296	297.90	2.35	0.80%
Zinc	16,715	16,790	210					

### ZAR metal prices (2 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,774	51,169	17,865	143,634	117,785	16,956	7.9050
3-month	15,415	52,749	18,478	145,261	119,811	17,654	8.0410

## 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)	84.19	0.38	85.15	0.62	85.88	0.62	88.24	0.44	-	-
Gasoil 0.1% Rdam (\$/mt)	629.00	1.75	636.00	0.75	644.25	3.25	663.75	3.50	700.75	3.50
NWE CIF jet (\$/mt)	675.20	2.31	684.89	2.17	699.33	3.43	727.89	3.50	765.58	3.66
Singapore Kero (\$/bbl)	84.49	0.38	85.45	0.12	86.68	0.22	89.66	0.44	94.91	0.52
3.5% Rdam barges (\$/mt)	439.40	9.31	439.88	7.61	443.46	6.79	448.26	5.44	454.53	4.32
1% Fuel Oil FOB (\$/mt)	459.65	7.06	461.88	5.61	471.46	5.79	482.26	5.19	501.53	1.32
Sing FO 380 Cargo (\$/mt)	460.13	7.86	461.71	7.54	462.87	6.83	466.91	5.86	-	-
Sing FO180 Cargo (\$/mt)	463.90	8.81	464.63	7.36	466.71	7.04	471.51	6.44	-	-

### Thermal coal

	Q4:09	Q1:10	Q2:10	Cal 11	Cal 12					
API2 (CIF ARA)	76.10	0.25	87.20	-0.75	82.10	-0.20	98.30	-1.40	108.30	-1.50
API4 (FOB RBCT)	67.25	-0.50	77.40	-0.75	73.05	-0.20	88.30	-1.40	98.30	-1.50

### Carbon

	Spot	Dec-09	Dec-10	Dec-11	Dec-12					
ICE - ECX EUA (€/mt)	14.54	-0.06	14.54	-0.06	14.90	-0.05	15.50	-0.03	16.30	-0.04
ICE - ECX CER (€/mt)	13.75	-0.06	13.61	-0.04	13.40	-0.05	13.41	-0.06	13.77	-0.06

## Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.24800	0.27000	0.29600	0.39600	0.62400
Silver	0.57000	0.57000	0.57000	0.57400	0.61600
USD Libor	0.24125	0.25594	0.27938	0.56688	1.19500

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	61.47	1,049.31	1,052.14	978.67	952.15	1,047.00	1,072.00
Silver	51.81	16.89	17.27	15.26	14.37	16.33	16.78
Platinum	56.81	1,340.08	1,342.34	1,253.97	1,187.73	1,329.00	1,367.00
Palladium	59.80	329.02	327.74	282.59	251.68	322.00	328.00

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	1,063.90	16.5750	328.00	1,338.10	1,064.00	3,068.00	1,064.20
Open Interest	481,961	130,427	22,280	30,905	1,883	99,791	4,314
Change in Open Interest	-14,144	-1,565	-340	-293	0	548	-7

Date: 2 November 2009

Sources: Standard Bank; LME; Bloomberg

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