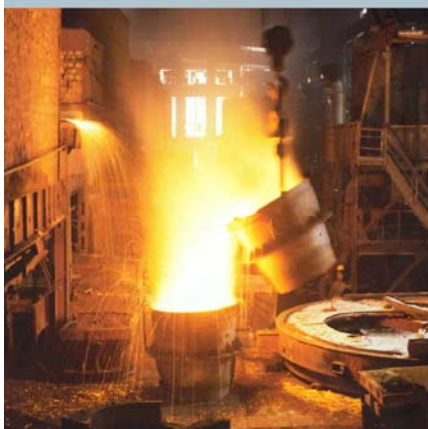


5 November 2009



Focus: Following a divergence between US DOE and API inventory data last week, which raised uncertainty over the US crude oil demand trend, this week's inventory data were in harmony with both API and DOE data registering sizable draws on crude inventories.

- Thursday morning has been noticeably quieter in terms of volumes, with the base metals holding fire ahead of the ECB and BoE interest rate announcements. With the closely watched US payroll figures due out tomorrow, this afternoon may be rather volatile as the market digests the rate announcements and positions itself ahead of the payroll figures. With the base metals continuing lack direction, it seems likely they will again play second fiddle to the currency markets.
- The physical buying we have seen in gold has stopped and there is more scrap metal coming to the market. We expect this to provide resistance to gold. But despite current resistance, we see the downside well protected and dips should still be bought.
- Overnight profit-taking weighed on crude oil prices after a 3,936K decline in DOE crude inventories pushed front-month WTI crude briefly above the \$80/bbl resistance level. But with Asia equity markets under pressure this morning and European equities following suite, crude prices are retreating. We expect this to continue.

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Commodity price data (4 November 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,930	1,926	1,938	1,914	13	0.68	1,892.50	23	-33.25
Copper	6,610	6,580	6,638	6,549	110	1.70	6,571.00	176	-23.50
Lead	2,334	2,350	2,381	2,280	80	3.52	2,312.00	62	-26.25
Nickel	18,325	17,900	18,400	17,900	100	0.56	18,165.00	360	-60.00
Tin	14,880	15,000	15,000	14,825	210	1.42	15,000.00	300	100.00
Zinc	2,226	2,229	2,252	2,195	49	2.25	2,201.50	56	-26.00

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	78.58	78.21	78.61	78.11	-0.68	-0.87%
NYMEX WTI	80.29	79.71	80.29	79.62	-0.69	-0.87%
ICE Gasoil	636.50	634.50	637.00	634.50	-6.50	-1.02%
API2 Q4'09	76.00	76.10	-	-	0.10	0.13%
ICE EUA Dec09	14.40	14.38	-	-	-0.02	-0.14%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,091.75	1,090.00	1,097.00	1,080.75	1,086.50	2.00	0.2/0.6
Silver	-	17.33	17.62	17.13	17.35	0.20	0.0/2.0
Platinum	1,334.00	1,330.00	1,372.00	1,353.00	1,366.00	17.00	4/6
Palladium	326.00	324.00	331.00	328.00	327.00	2.00	1/3

Sources: Standard Bank; LME; BBG



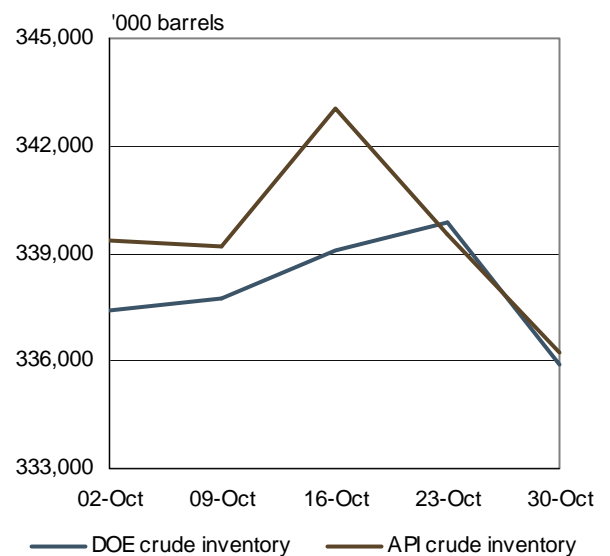
Focus: DOE and API data point to demand recovery

Following a tentative divergence between US DOE and API inventory data last week, which raised uncertainty over the real US crude oil demand trend, this week's inventory data were in harmony with both API and DOE data registering sizable draws on crude inventories. Although the decline in US crude oil inventories is positive for crude oil prices, US industrial oil demand is still sluggish. Combined with the overhang in distillate stocks, we believe it should see front-month WTI crude struggle to hold above the \$80/bbl resistance level.

Tuesday's US API data recorded a 3,206K barrel decline in crude oil inventories, with a proportion of the inventory contraction owing to a 156K barrel contraction in crude oil imports. Yesterday's DOE crude oil inventory data showed a 3,936K barrel decline in inventory. However, distillate stock piles gained 1,789K barrels despite a 1 percentage drop in refinery utilization to 81%. API gasoline stockpiles gained 501K barrels (DOE gasoline stockpiles contracted 287K barrels) — in-line with the weaker US gasoline seasonal demand trend at this time of the year.

Although crude oil demand is recovering at a slow pace, we believe investment interest remains a main driver. The latest CFTC data shows speculative buying interest continues to remain bullish on crude prices. According to the data, NYMEX crude speculative (non-commercial) net-long positions have increased by 27,743

Figure 1: DOE, API crude oil inventories



Source: Standard Bank

contracts. The increased speculative interest in crude futures amid lagging crude demand is set to make crude oil a function of risk appetite for the time being. Ahead of the weekend we expect increased decreased risk appetite.

By Manqoba Madinane

Base metals

Thursday morning has been noticeably quieter in terms of volumes, with the base metals holding fire ahead of the ECB and BoE interest rate announcements this afternoon, and any charges to the BoE's asset purchase target. With the closely watched US payroll figures due out tomorrow, this afternoon may be rather volatile as the market digests the rate announcements and positions itself ahead of the payroll figures. With the base metals continuing lack direction, it seems likely they will again play second fiddle to the currency markets.

As expected there were no fireworks from the Fed last night as it kept interest rates unchanged. The FOMC noted that a return to growth alone doesn't warrant higher interest rates and that interest rates will be kept exceptionally low for an extended period. Interestingly however, the commitment to low rates now also depends on subdued inflationary trends and stable inflation expectations.

After opening higher on Wednesday, copper spent the rest of the day trading sideways. A 5,800 mt jump in on-warrant LME inventories put the red metal under pressure initially this morning, however prices have since recovered. The main locations for the stock gains were South Korea (Busan and Incheon) up a total of 2,200 mt, Singapore, up 1,200 mt and the USA (Chicago and New Orleans) up by a total of 2,700 mt. Copper volumes are much more subdued than in the previous couple of days, with the market seemingly on hold until this afternoon's flurry of economic data gets out of the way.

Aluminium inventories have continued their decline, with on-warrant stocks falling by 7,550 mt. The main reason for the drop was 6,350 mt jump in cancelled warrants in the US, the main locations being Baltimore, Chicago and Detroit. The data gave prices an initial boost, however prices have since drifted back a little. Overall, aluminium is trading sideways heading into the afternoon, in a fairly narrow range and on the back of thin volumes. Elsewhere, the rest of the base metals are also drifting more or less sideways on light turnover.

In other news, the LME has cancelled a lead trade this morning that went through at \$2,281, after the 3-month price closed at \$2,350 last night. The cancellation has yet to be reflected in some provider's price feeds.

By Leon Westgate

Precious metals

The physical buying we have seen in gold has stopped and there is more scrap metal coming to the market. We expect this to provide resistance to gold. But despite current resistance, we see the downside well protected and dips should still be bought.

Combined with markets waiting for direction from the ECB later today and US non-farm payrolls tomorrow, risk appetite should remain subdued. Gold support is at \$1,080 and \$1,072, while resistance is at \$1,100 and \$1,110.

The Fed signaled conditions under which they will raise rates. They will tighten policy if resource utilization rises, the subdued inflation trends stops and inflation expectations rise. All three factors remain favourable of low rates for some time to come. This should benefit precious metals. However, we will view the eventual rise in interest rates as negative for gold.

On the PGM front, platinum and palladium remains range-bound. Both metals continue to have large speculative interest in the futures market and as a result upside for both metals should be limited under the uncertainty surrounding ECB policy and other data releases ahead of the weekend.

Overall palladium continues to look more bullish than platinum. Palladium should also find support from the better-than-expected US auto sales palladium. Palladium has much greater exposure to the US auto market than platinum. Furthermore, from Swiss export data we have seen much better physical demand for palladium relative to platinum all year long. demand Platinum support is at \$1,350 and resistance at \$1,370. Palladium support is at \$325 and resistance at \$333.

After silver's rally higher in the past two days the metal is meeting resistance again. A break in gold above \$1,100 is likely to see silver push closer to the \$18.00 which has been providing strong resistance. Support for silver is at \$17.15 and \$16.90.

By Walter de Wet

Energy

Overnight profit-taking weighed on crude oil prices after a 3,936K decline in DOE crude inventories pushed front-month WTI crude briefly above the \$80/bbl resistance level. But with Asia equity markets under pressure this morning and European equities following suite, crude prices are retreating. We expect this to continue.

The US dollar is finding some strength in uncertainty about ECB policy this afternoon and US non-farm payrolls tomorrow. We believe crude would find it difficult to sustain a rally above \$80 ahead of the weekend and the \$80/bbl level could still provide strong resistance for front-month WTI crude oil.

Front-month ICE Brent crude has also come under strain this morning, slipping from \$78.65/bbl to \$78/bbl. UK new car registrations increased 31.6% y/y in October, after an 11.4% y/y gain in September — this is a positive demand signal which could support front-month ICE Brent crude oil during the European session. UK industrial production also increased 1.6% m/m in September. Furthermore, UK manufacturing leaped 1.7% m/m in September, against market expectations for a 1.0% m/m gain.

Firmer crude oil prices saw thermal coal contract prices claw higher yesterday. Both API2(CIF ARA) and API4(FOB) for December 2009 delivery gained \$0.10/mt to \$76.10/mt and \$67.25/mt respectively. The Baltic Dry index gained 1.47% yesterday, which could be a signal of rising global dry bulk trade activity—another gain today could support thermal coal contract prices today. Of note, China's death toll from coal mine accidents has fallen 24% y/y—this increases the likelihood of higher domestic coal production in China which could decrease the country's thermal coal import demand; this would weigh on contract prices.

Carbon contracts slipped yesterday, despite firmer crude oil prices, amid lower German base load power prices. ICE EUA for December 2009 delivery shed EUR0.02/mtCO₂ to EUR14.38/mtCO₂. UN-backed CER for December 2009 delivery shed EUR0.08/mtCO₂ to EUR13.45/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	4,545,375	4,547,675	2,850	5,150	-2,300	2,216,475	127,475	2.80	147,798
Copper	379,825	374,050	6,100	325	5,775	40,050	3,025	0.80	78,482
Lead	130,925	130,125	800	-	800	85,775	475	0.36	27,039
Nickel	129,846	129,642	312	108	204	51,456	1,134	0.87	28,082
Tin	26,430	26,445	-	15	-15	18,640	240	0.91	45,530
Zinc	426,675	427,550	-	875	-875	173,175	10,900	2.55	72,280

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,230	15,200	-40	Ali Nov'09	-	-	-	-
Copper	50,910	50,740	-460	Cu Nov'09	299	296.05	-3.25	-1.09%
Zinc	16,980	16,850	-70					

ZAR metal prices (4 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,674	50,952	17,927	140,851	116,310	17,070	7.7540
3-month	15,190	51,895	18,534	141,174	118,302	17,580	7.8868

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)	85.87	1.90	87.28	2.18	87.86	2.06	90.32	2.07	-	-
Gasoil 0.1% Rdam (\$/mt)	634.50	-6.50	642.75	-6.50	652.25	-6.50	679.25	15.50	716.00	15.50
NWE CIF jet (\$/mt)	690.20	16.09	701.23	16.50	716.33	16.15	743.39	15.68	780.83	15.33
Singapore Kero (\$/bbl)	86.17	1.90	88.03	2.23	89.06	2.11	93.07	2.02	97.67	2.02
3.5% Rdam barges (\$/mt)	456.04	8.39	456.04	9.04	459.35	9.27	463.61	9.03	469.91	10.67
1% Fuel Oil FOB (\$/mt)	474.04	10.64	477.04	10.79	485.85	9.52	496.61	9.03	515.91	10.67
Sing FO 380 Cargo (\$/mt)	475.54	9.29	477.60	9.52	479.51	9.55	482.82	9.50	-	-
Sing FO180 Cargo (\$/mt)	478.04	8.39	480.29	9.29	483.10	9.52	487.61	9.53	-	-

Thermal coal	Q4:09		Q1:10		Q2:10		Cal 11		Cal 12	
API2 (CIF ARA)	76.10	0.10	87.00	0.50	82.15	0.35	97.65	0.45	106.65	-0.05
API4 (FOB RBCT)	67.25	0.10	77.20	0.50	73.10	0.35	87.75	0.45	96.65	-0.05

Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	14.38	-0.02	14.38	-0.02	14.74	-0.02	15.31	-0.03	16.10	-0.05
ICE - ECX CER (€/mt)	13.60	-0.05	13.45	-0.08	13.25	-0.05	13.25	-0.05	13.62	-0.08

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.25833	0.27500	0.30000	0.42167	0.61833
Silver	0.58000	0.58000	0.58000	0.58333	0.61667
USD Libor	0.24156	0.25500	0.27750	0.56344	1.18875

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	64.72	1,057.29	1,057.04	981.96	954.21	1,079.00	1,096.00
Silver	55.94	16.89	17.27	15.32	14.43	17.07	17.59
Platinum	56.24	1,338.70	1,345.05	1,257.01	1,191.68	1,343.00	1,368.00
Palladium	60.38	327.03	328.91	284.34	253.05	323.00	332.00

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	1,088.10	17.3300	328.75	1,369.30	1,088.80	3,171.00	1,088.80
Open Interest	505,904	132,383	22,255	31,269	1,924	101,193	4,612
Change in Open Interest	13,888	94	-104	624	-126	0	301

Date: 4 November 2009

Sources: Standard Bank; LME; Bloomberg

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