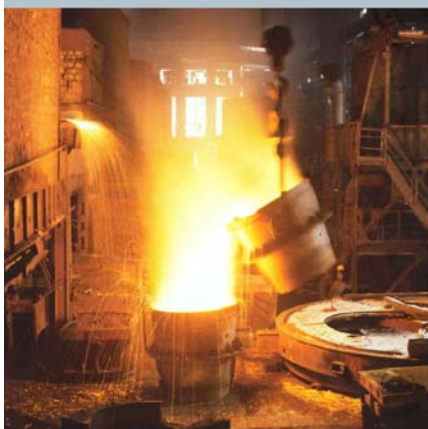


12 November 2009



Focus: Copper stocks update — One of the key features of the copper market over the past few months has been rising LME inventory, particularly into US and Asian warehouses. The increase in inventory, albeit a seasonal occurrence, is one of the factors weighing on copper prices at the moment.

- The dollar has continued to govern direction for the likes of copper this morning, however, very thin volumes elsewhere in the complex have somewhat lessened the overall impact the dollar is having on the other metals.
- With gold moving as much as it has in the past two weeks, **investors seem reluctant to go short**. This is adding additional support to gold. But we believe gold's ascent will slow in the next eight weeks as jewellery seasonal demand tapers off. We will monitor physical flows to determine resistance from this front.
- **\$80/bbl remains in place, and we expect this to hold**. While positive DOE figures might support crude oil, it would have to be extremely bullish to see WTI push above \$80/bbl.

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Commodity price data (11 November 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	1,957	1,958	1,980	1,950	-10	-0.51	1,938.50	21	-33.50
Copper	6,510	6,490	6,586	6,471	-48	-0.73	6,475.00	-121	-24.25
Lead	2,270	2,270	2,315	2,257	-35	-1.50	2,312.50	55	-26.25
Nickel	16,500	16,525	17,080	16,400	-350	-2.08	17,050.00	200	-64.00
Tin	14,700	14,700	14,765	14,650	-25	-0.17	14,945.00	85	63.00
Zinc	2,183	2,185	2,199	2,159	23	1.06	2,155.50	34	-26.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.95	77.39	78.26	77.03	-0.56	-0.72%
NYMEX WTI	79.25	78.57	79.69	78.22	-0.71	-0.90%
ICE Gasoil	625.25	620.00	625.75	619.75	-4.75	-0.77%
API2 Q4'09	67.80	66.90	-	-	-0.90	-1.35%
ICE EUA Dec09	12.61	12.58	-	-	-25.19	-0.24%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,116.00	1,115.25	1,118.60	116.50	1,113.80	118.80	0/0.4
Silver	-	17.45	17.71	17.36	17.52	0.86	0/2
Platinum	1,367.00	1,365.00	1,373.00	1,355.00	1,365.00	83.00	3/5
Palladium	351.00	340.00	335.00	324.00	322.00	31.00	0/2

Sources: Standard Bank; LME; BBG



Focus: Copper stocks update

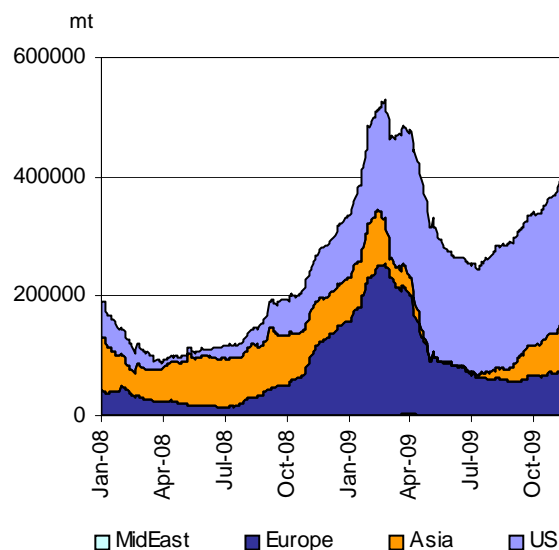
One of the key features of the copper market over the past few months has been rising LME inventory, particularly into US and Asian warehouses. The increase in inventory, albeit a seasonal occurrence, is one of the factors weighing on copper prices at the moment.

Since the start of Q4, on-warrant copper stocks in Asian locations have climbed by just under 60% to 82,550 mt. While much of the increase may be material being positioned close to China, in preparation for a return of Chinese buying activity, there are mounting concerns that the recent inflow may also represent material being re-exported from bonded warehouses in China due to lack of domestic demand.

US stocks have also built up during Q4, with on-warrant stocks climbing by 23,850 mt, or 10%, since the beginning of October to currently stand at 245,475 mt. Interestingly however European inventories have remained relatively low, and are not much higher than the levels seen in the summer. Nevertheless, total inventories are around the highest level they've been in 6 months, with steady gains likely to continue weighing on sentiment and prices over the short to medium term.

We do note however the rapidity at which Asian and European inventories declined once the Chinese started buying copper - falling over 280,000 mt in the space of 5 months. It remains an

Fig 1: On warrant LME copper inventory by location



Source: LME

issue of timing, however, when the Chinese do re-enter the market, the drawdown may be equally swift, with attention then focusing on US rather than European inventories.

By Leon Westgate

Base metals

As expected the currency markets continued to boss the metals yesterday, to such an extent that at times, you could only differentiate the spot dollar/euro chart from the 3-month copper chart by looking at the scale on the axis. The dollar has continued to govern direction for the likes of copper this morning, however, very thin volumes elsewhere in the complex have somewhat lessened the overall impact the dollar is having on the other metals.

Aside from shadowing the dollar, the other recurring theme in the copper market has been rising LME inventories, particularly into Asian warehouses - see focus section. This has continued this morning with on-warrant stocks climbing 5,125 mt to 400,225 mt. The main locations for the increase this morning were Busan (+2,400 mt) and New Orleans (+2,000 mt). Copper still remains rangebound however, with participants still looking to play the ranges. In the background however, on-going industrial action at BHP Billiton's Spence mine, and reports that rioting workers at Vedanta's Konkola copper operation had disrupted production are lending support to prices.

In other news, China has scrapped the 17% VAT on gold contained in imports of crude (blister) copper. Although gold recovery rates for some Chinese refineries still lag western operations in terms of gold recovery rates, at the current gold price, for every tonne of gold they recover, the cancellation of the VAT potentially gives them an extra ~\$5-6 million in revenue. While the move may help the Chinese smelter/refineries ride out the very low spot refining charges at the moment, it will also likely see the premium for blister with a higher gold content increase substantially over material with a lesser gold content.

Zinc is looking to copper for direction, however volumes have dropped off substantially this morning, with turnover on LME Select still less than 800 lots by midday London time, compared to just over 1,000 lots for Nickel. Aluminium and Lead are also suffering from a lack of turnover.

In other news, the Quatalum greenfield aluminium smelter in Qatar is in the process of installing its carbon anodes and is on track for first production next month. The 585 ktpy capacity operation is owned 50% by Hydro and 50% by Qatar Petroleum, with full production capacity expected to be reached by Q3-2010.

By Leon Westgate

Precious metals

Gold is trading well above \$1,110, and support remains in place. Gold keep eyeing \$1,150 (our next target). The market is bullish and, combined with the our view on the US dollar (\$1.60 against the euro towards end of Q1:10), downside seems well contained.

However, with gold moving as much as it has in the past two weeks, **investors seem reluctant to go short**. This is adding additional support to gold. But we believe gold's ascent will slow in the next eight weeks as jewellery seasonal demand tapers off. We will monitor physical flows to determine resistance from this front. **Gold support is at \$1,110 and \$1,100. Resistance is at \$1,125 and \$1,140.**

PGMs are moving higher. While the dollar is weak, the ZAR has strengthened substantially in the last week, which is offsetting much of the dollar gains in metal prices. Producers are therefore not seeing the benefit of higher dollar PGM prices.

Eurozone new car registrations will be released on Monday. A positive figure could see platinum move above \$1,370 (which has been providing strong resistance). For September, new car registrations increased by 6.3%. If the October figure matches this, we would regard it as bullish for both platinum and palladium. **Platinum resistance is at \$1,370.** With **palladium** having broken above \$350 yesterday, next **resistance is at \$370.**

Silver has not tracked gold that much higher, and **\$18.00 is still offering strong resistance.** We expect this to hold. We expect silver to underperform relative to platinum and palladium in coming months.

By Walter de Wet

Energy

\$80/bbl remains in place, and we expect this to hold. While positive DOE figures might support crude oil, it would have to be extremely bullish to see WTI push above \$80/bbl. The market expects a rise of 1,000K in crude oil inventories. At the same time, gasoline and distillate inventories are expected to decrease by 350K and 700K respectively. We would not view the decline in product inventory as bullish. The decline in distillate inventory would be seasonal, while a decline in gasoline inventories is expected on the back of lower refinery capacity utilization.

Apart from the strong resistance at \$80 for WTI, the dollar is finding some strength against the euro. Eurozone industrial production for September disappointed on the downside, showing growth of 0.3% m/m against expectations for 0.5% growth. Equities are struggling, which could further support the dollar.

We see support for WTI front-month contract at \$78.50 and \$77.80, and resistance at \$80.00 and \$80.85.

API2 coal prices for delivery in Q1:10 closed at \$79.80 yesterday. API4 for delivery I Q1:010 has closed at \$72.20. With coal stocks at high levels, combined with low natural gas prices, there's little to push prices higher. We expect coal to remain range-bound this week on the back of WTI which is finding strong resistance at \$80/bbl.

By Walter de Wet

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	4,539,925	4,543,075	750	3,900	-3,150	2,211,025	120,175	2.65	147,980
Copper	402,125	397,325	4,875	75	4,800	62,350	1,900	0.47	103,419
Lead	132,075	131,800	300	25	275	86,925	800	0.61	21,648
Nickel	131,730	131,640	174	84	90	53,340	1,128	0.86	28,103
Tin	26,850	26,850	-	-	0	19,060	180	0.67	43,531
Zinc	424,250	424,725	-	475	-475	170,750	10,475	2.47	56,776

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,160	15,130	-10	Ali Nov'09	-	-	-	-
Copper	51,080	50,980	130	Cu Nov'09	299	296.50	-2.60	-0.87%
Zinc	16,800	16,840	115					

ZAR metal prices (11 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,233	47,543	16,980	125,190	109,734	15,827	7.3425
3-month	14,627	48,482	16,957	123,445	109,812	16,322	7.4702

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)	85.47	0.56	85.46	-0.13	86.13	-0.06	88.56	-0.07		
Gasoil 0.1% Rdam (\$/mt)	620.00	-4.75	630.00	-5.25	640.25	-5.50	661.75	-4.25	700.00	-2.50
NWE CIF jet (\$/mt)	680.93	-1.57	690.91	-1.74	703.68	-1.15	729.29	-1.50	767.00	-2.25
Singapore Kero (\$/bbl)	86.36	0.70	87.06	0.02	87.93	0.09	91.48	-0.08	95.95	-0.20
3.5% Rdam barges (\$/mt)	451.52	5.50	451.52	5.72	453.78	5.74	457.20	6.23	462.62	6.43
1% Fuel Oil FOB (\$/mt)	471.52	6.50	472.77	6.47	482.28	5.99	491.70	6.23	509.62	6.43
Sing FO 380 Cargo (\$/mt)	473.02	6.22	474.28	6.24	474.96	6.20	476.24	6.04		
Sing FO180 Cargo (\$/mt)	474.02	6.25	476.52	6.22	478.03	5.74	481.20	5.98		

Thermal coal	Q1-10	Q2-10	Q3-1	Cal 11	Cal 12					
API2 (CIF ARA)	79.80	82.70	86.10	98.60	105.72					
API4 (FOB RBCT)	72.20	74.20	77.10	88.73	98.62					
Carbon	Spot	Dec-09	Dec-10	Dec-11	Dec-12					
ICE - ECX EUA (€/mt)	14.43	0.05	14.43	0.04	15.35	0.04	16.16	0.06		
ICE - ECX CER (€/mt)	13.60	0.00	13.44	-0.01	13.28	0.03	13.30	0.05	13.62	0.00

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.25250	0.28250	0.30500	0.40500	0.59000		
Silver	0.60000	0.60000	0.60000	0.60750	0.60750		
USD Libor	0.23875	0.25031	0.27250	0.52438	1.09813		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	67.79	1,090.70	1,070.41	990.62	958.98	1,110.00	1,125.00
Silver	55.69	17.22	17.23	15.50	14.55	17.26	17.65
Platinum	56.49	1,352.72	1,348.01	1,265.95	1,201.44	1,348.00	1,370.00
Palladium	68.05	332.65	331.99	289.07	256.50	350	355
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	1,112.50	17,4300	353.10	1,375.50	1,112.50	3,228.00	1,112.70
Open Interest	526,176	136,309	22,444	32,968	1,880	104,856	4,578
Change in Open Interest	-4,558	3,966	22	-209	-53	-2,103	44

Date: 11 November 2009

Sources: Standard Bank; LME; Bloomberg

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