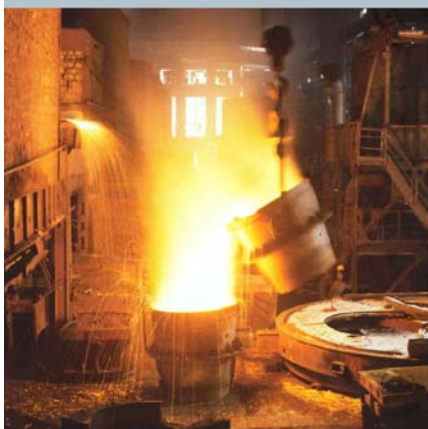


18 November 2009



**Focus: Gold still has support on approach of \$1,150** Three weeks ago, we reported on gold support in the physical market *despite* gold reaching new highs at that time. Gold touched another high this morning, at \$1,148, while the dollar is only slightly weaker, at \$1.4950 against the euro. Still we see gold upside, as support in the physical market remains intact. We believe the current gold rally still has some legs irrespective of high investment demand.

- The base metals have led the way higher this morning on the back of fresh fund-related buying activity, with the metals, temporarily at least, appearing to have also de-coupled from the dollar. Instead it has been the dollar playing catch up this morning. Turnover has been relatively good for the likes of copper, aluminium, and nickel, but remains subdued elsewhere.
- Financial markets are bullish, and this is spilling over into commodities. Precious metals are steaming ahead. Gold is finding very strong support even though the dollar is failing to break above \$1.5000 against the euro.
- This morning has seen crude oil prices lag the base metals slightly, however prices have picked up on the back of a weaker dollar. Front-month WTI briefly edged above \$80/bbl heading into the afternoon, before drifting back slightly as all eyes switch attention to this afternoon's DOE inventory data.

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**Commodity price data (17 November 2009)****Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,037	2,045	2,095	2,041	6	0.30	2,002.50	63	-33.45
Copper	6,791	6,826	6,992	6,827	-29	-0.42	6,761.00	61	-21.00
Lead	2,355	2,385	2,448	2,373	-5	-0.21	2,331.00	41	-20.00
Nickel	16,700	16,925	17,475	16,855	100	0.60	16,660.00	200	-58.00
Tin	14,800	15,200	15,300	15,000	250	1.70	14,800.00	-80	55.00
Zinc	2,258	2,264	2,314	2,268	-16	-0.70	2,235.00	35	-27.00

**Energy**

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	79.45	79.98	80.11	79.21	1.01	1.26%
NYMEX WTI	79.38	80.09	80.23	79.27	0.95	1.19%
ICE Gasoil	638.00	644.25	644.75	638.00	13.00	2.02%
API2 Q1'10	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	1,131.75	1,134.75	1,141.60	1,131.60	1,139.00	0.30	-1.0/0.3
Silver	-	18.75	18.41	18.16	18.37	0.00	-1.0/1.0
Platinum	1,442.00	1,438.00	1,457.00	1,436.00	1,455.00	10.00	3/5
Palladium	371.00	368.00	375.00	369.00	370.00	-2.00	0/2

Sources: Standard Bank; LME; BBG



### Focus: Gold still has support on approach of \$1,150

Three weeks ago, we reported on gold support in the physical market *despite* gold reaching new highs at that time (the dollar was trading at \$1.4850-\$1.4900 against the euro).

This morning, gold touched another high, at \$1,148, while the dollar is only slightly weaker, at \$1.4950 against the euro. **Still we see gold upside**, as support in the physical market remains intact. Should gold reach \$1,150 in coming days, \$1,200 may be on the cards.

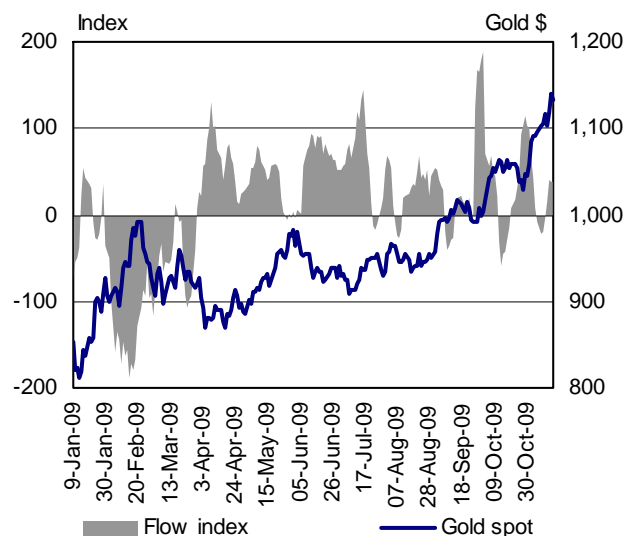
When gold breached \$1,000 in early September, physical selling went neutral (see physical index approaching zero). A value for the index above zero shows *net buying*. A value below zero shows *net selling*. The higher the value on either side of zero (in absolute terms), the greater the buying or selling pressure.

Buying momentum spiked sharply in Q4:09 and, although down from recent highs, **we still see net physical buying**. As a result, support remains in tact.

We believe buying momentum will remain positive for most of Q4:09 on high seasonal demand. We estimate that Q4 seasonal demand is 3x higher than in Q3 (after accounting for price and currency effects).

**We believe the current gold rally still has some legs irrespective of high investment demand.**

### Standard Bank gold physical flow index



Source: Standard Bank

However, we remain mindful of what can happen in February/March 2010 (a very weak period for seasonal demand). From what we saw at the start of 2009, physical selling could be intense. Potential scrap flows may neutralise some of the dollar weakness we expect in Q1:10.

By Walter de Wet

## Base metals

The base metals have led the way higher this morning on the back of fresh fund-related buying activity, with the metals, temporarily at least, appearing to have also de-coupled from the dollar. Instead it has been the dollar playing catch up this morning. Turnover has been relatively good, for the likes of copper, aluminium, and nickel, but remains subdued elsewhere.

Although technical signals have been key so far, as the day wears on and as the initial impetus from this morning's activity fades, the dollar may well re-assert some control over prices. This afternoon's US CPI and Housing data will also likely play a role in determining whether prices stall, or push higher still.

Copper was the first metal to break higher this morning, with 3-month prices climbing well above \$6,900 and reaching another fresh high for the year. Interestingly, after Monday's surge higher, this morning's activity is perhaps what would have expected to be seen yesterday. Instead Tuesday saw the market take a breather, with copper largely trading sideways.

LME copper inventories have meanwhile continued to pick up, with on-warrant stocks climbing a net 3,875 mt this morning. The main location for the increase was Busan, up 3,975 mt. This morning's inflow brings the total increase in on-warrant stocks in Asian warehouses since the start of November, to 25,075 mt, a 39% increase.

Zinc has tracked copper higher this morning, climbing above \$2,300. However, the move has come on the back of relatively poor turnover with the metal appearing to be running out of steam heading into the afternoon. LME inventories posted a very large increase this morning, with on-warrant stocks climbing 15,625 mt. The news helped cap the metals initial surge, but overall has had little impact. The main location for the inflow was New Orleans, up 16,425 mt. In other news, and after giving warning that stockpiles were in imminent danger of running out, China Minmetals has now halted shipments of zinc concentrate from its Century mine in northern Australia.

Elsewhere, nickel has rallied comfortably back above \$17,000 on the back of decent buying interest. Newswire reports regarding the potential for privately held nickel stocks in China to make their way back onto the domestic markets, have largely been ignored.

By Leon Westgate

## Precious metals

Financial markets are bullish, and this is spilling over into commodities. Precious metals are steaming ahead.

**Gold is finding very strong support** even though the dollar is failing to break above \$1.5000 against the euro. Should gold breach \$1,150 in coming days, \$1,200 could be on the cards. However, if gold fails to breach \$1,150, and if it consolidates above this level in the next few weeks, the probability of reaching \$1,200 may become smaller, the closer we get to year-end.

**Gold support is at \$1,130, and resistance at \$1,150 and \$1,165.**

**PGM is bullish and we continue to see support.** Technically, there is very little resistance for platinum until \$1,500 is in sight. We also think this week's move higher is being supported by cost of production (*Commodities Daily 16 November 2009*). Palladium is closing in on \$380, at which point we expect some resistance. However, the metal is generally well supported.

**Copper is eyeing \$7,000.**

Gold is approaching 1,150. In its wake, **silver is closing in on \$19.00**. In this bullish market, silver may continue to outperform the rest of the complex. Silver support is at \$18.20 and 18.00, and resistance is at \$18.70 and \$19.00.

By Walter de Wet

## Energy

Like the base metals, crude oil traded sideways for much of Tuesday, before rallying late-on. This morning has seen crude oil prices lag the base metals slightly, however prices have picked up on the back of a weaker dollar. Front-month WTI briefly edged above \$80/bbl heading into the afternoon, before drifting back slightly as all eyes switch attention to this afternoon's DOE inventory data.

Expectations are for Crude Oil inventories to show a 300K increase following last week's 1,762 K gain. Gasoline inventories are expected to be relatively stable, with the consensus looking for a 25K decline after the previous 2,560K increase. Distillate stocks are meanwhile expected to post a 850K decline.

As always, there will likely be a burst of activity in the immediate aftermath of the numbers, with any significant deviation from the consensus figures being seized upon. Whether the data will be enough to jolt WTI crude out of its recent triangle pattern remains to be seen, however the weaker dollar is lending background support.

**Thermal coal generally traded sideways on Tuesday**, with API2 for delivery in Dec-09 closing 10¢ higher at \$79.00, while API4 for Dec-09 delivery closed 10¢ lower at \$69.20. There was some divergence further along the curve however, with Cal-10 API2 falling 5¢, while Cal-11 gained 20¢ and Cal-12 and Cal-13 both climbed 25¢.

In other news, mild but windy UK weather conditions, have seen spot UK power prices trade close to 2-month lows. With the windy weather boosting production from wind power sources, there are concerns that coal generators may idle further production, unless power prices recover.

By Leon Westgate

## 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	4,559,325	4,560,325	2,950	3,950	-1,000	2,230,425	120,500	2.64	187,498
Copper	414,100	410,000	4,150	50	4,100	74,325	2,425	0.59	100,817
Lead	133,025	132,400	775	150	625	87,875	525	0.39	21,007
Nickel	132,930	132,912	162	144	18	54,540	1,098	0.83	26,389
Tin	26,985	26,865	120	-	120	19,195	240	0.89	53,076
Zinc	449,375	433,725	16,425	775	15,650	195,875	8,725	1.94	60,915

### Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,450	15,480	35	Ali Nov'09	-	-	-	-
Copper	53,570	53,590	190	Cu Nov'09	313	319.00	5.70	1.82%
Zinc	17,620	17,715	90					

### ZAR metal prices (17 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,917	50,363	17,364	124,100	110,245	16,649	7.4490
3-month	15,495	51,721	18,071	128,241	115,170	17,151	7.5770

## 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)	84.02	0.59	85.09	0.36	85.81	0.39	88.42	0.45		
Gasoil 0.1% Rdam (\$/mt)	644.25	13.00	654.75	12.25	662.75	12.00	680.00	9.50	706.50	3.25
NWE CIF jet (\$/mt)	679.34	3.69	687.42	2.92	700.78	3.18	727.71	3.07	767.17	3.25
Singapore Kero (\$/bbl)	84.91	0.62	86.53	0.25	87.44	0.32	89.97	0.40	95.34	0.42
3.5% Rdam barges (\$/mt)	449.87	-0.59	455.51	2.98	457.73	2.98	461.72	3.28	467.35	2.84
1% Fuel Oil FOB (\$/mt)	471.61	-0.47	472.26	1.73	482.73	1.48	494.22	2.53	513.85	2.34
Sing FO 380 Cargo (\$/mt)	476.01	2.23	477.98	2.73	479.06	2.75	482.54	3.54		
Sing FO180 Cargo (\$/mt)	469.30	0.92	479.26	2.23	481.98	2.73	485.97	3.28		

Thermal coal	Q1-10	Q2-10	Q3-1	Cal 11	Cal 12					
API2 (CIF ARA)	80.80	83.35	86.40	98.81	105.53					
API4 (FOB RBCT)	72.90	74.70	77.50	89.04	95.53					
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	0.25400	0.28000	0.32400	0.40600	0.56800		
Silver	0.55600	0.55600	0.55600	0.56000	0.57000		
USD Libor	0.23656	0.24875	0.26906	0.50188	1.05500		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	70.89	1,116.33	1,085.70	998.55	963.37	1,110	1,150
Silver	61.98	17.75	17.35	15.67	14.65	17.50	18.20
Platinum	65.65	1,389.00	1,364.74	1,275.76	1,209.71	1,400	1,450
Palladium	72.20	350.21	338.93	293.81	259.65	350	370
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	Oct'09	Jun'10	Oct'09
Settlement	1,147.80	18,7700	377.10	1,462.50	1,149.00	3,299.00	1,148.40
Open Interest	522,332	138,664	22,345	34,473	2,284	106,319	4,808
Change in Open Interest	-2,371	-3,425	174	-251	-195	1,721	-403

Date: 17 November 2009

Sources: Standard Bank; LME; Bloomberg

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