Commodities Daily

Standard Bank

Commodities Research

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Focus: Speculative buying interest in all precious metals remains high. We find it very difficult to take a bearish view on all precious metals but greater caution is called for, especially towards PGM.

- Gold rallied in Asia this morning. The metal has been drawn towards the $1,200 level at which there are a sizable amount of calls expiring today. On Friday morning gold looked unlikely to reach $1,200 but it looks possible today.
- We believe crude oil prices are being supported by a weaker US dollar and signs of increasing Chinese crude oil demand.
- The whole base metals complex is trading higher this morning. However, volumes remain low. Copper has taken the lead touching $7,000 as some arbitrage related buying came through earlier today.

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Commodity price data (20 November 2009)

Base metals LME 3-month	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,015	2,060	2,062	2,005	29	1.43	1,978.00	-25	-33.25
Copper	6,750	6,850	6,870	6,729	15	0.22	6,731.00	-30	-25.25
Lead	2,312	2,346	2,373	2,301	14	0.60	2,309.00	-26	-25.00
Nickel	16,675	16,650	17,225	16,600	-375	-2.21	16,660.00	-280	-57.00
Tin	14,900	15,000	15,000	14,800	95	0.64	15,000.00	-100	22.00
Zinc	2,215	2,256	2,274	2,207	40	1.81	2,196.50	-9	-29.25

Energy	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.55	78.20	78.28	77.55	1.00	1.28%
NYMEX WTI	77.80	78.45	78.48	77.71	0.98	1.25%
ICE Gasoil	611.50	619.25	619.25	611.50	10.00	1.61%
API2 Q1'10	76.10	76.25	-	-	0.15	0.20%
ICE EUA Dec09	14.38	14.43	-	-	0.05	0.35%

Precious metals	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,142.50	1,140.00	1,151.00	1,137.30	1,146.50	4.50	-0.2/0.2
Silver	-	18.75	18.53	18.14	18.43	-0.02	-1.0/1.0
Platinum	1,430.00	1,435.00	1,440.00	1,430.00	1,435.00	-5.00	3/5
Palladium	361.00	360.00	368.00	357.00	362.00	-5.00	0/2

Sources: Standard Bank; LME; BBG

Focus: Platinum speculative length continues to rise

Speculative buying interest in all precious metals remains high. We find it very difficult to be bearish in all precious metals but greater caution is called for, especially towards PGM.

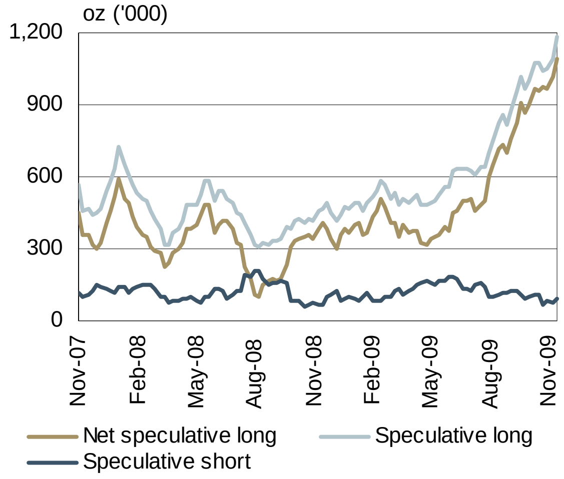
According to the latest CFTC data, net speculative positions in platinum futures reached 1,092,250oz last week — 76,500oz from a week earlier. The increase in net speculative positions has put the net longs as a percentage of open interest at a very high 63%. Platinum has almost reached our initial target of ZAR11,200 (currently trading at ZAR11,000). While we believe there could be more upside, we also believe the risk of adding new long positions has increased substantially.

As far as palladium is concerned, CFTC data shows the net long speculative positions reached 1,336,700oz last week — up 68,300z from a week earlier. Like platinum, the increase in net speculative positions has put the net longs as a percentage of open interest at a very high 59%.

While speculative length in gold and silver remain high compared with historical standards, both metals have seen a consolidation in their speculative positions, which arguably makes gold and silver better poised for further moves higher.

The net speculative length in gold now stands at 871 tonnes—32 tonnes lower than the highs reached a month ago. As a percentage of open interest, the net speculative position is 35%. Silver's net speculative position stands at 7,279 tonnes. This is 24% of total open interest. We view this as positive for silver

Platinum net speculative position



Source: CFTC; Global Markets Research

because this percentage has come down from 31% at the end of September.

We still see more dollar weakness in 2010. As a result, we also see good support for precious metals. For PGM, it is very risky to add new longs at current price levels; a decline in speculative positions, or a price correction towards $1,400 for platinum, is necessary before we would advise adding additional new longs.

However, both gold and silver remain well supported and speculative length is not excessive. Combined with our dollar view we still advise buying the dips.

By Walter de Wet

Base metals

The whole base metals complex is trading higher this morning. However, volumes remain low. Copper has taken the lead touching $7,000 as some arbitrage related buying came through earlier today. While we expect the $7,000 level to provide resistance, with gold aiming for $1,200 (on the back of option expiry today), base metals may be dragged higher by the yellow metal.

Correlation within the base metals complex remains very high which indicates that the complex are driven by the same external factors. These factors are not underlying fundamental factors but rather financial market related. Looking at the range of variables we track, at the moment base metals have the highest correlation with US equities (according to 10-day rolling correlation). Therefore, for general direction we look at equity markets.

That said, it would be unwise to ignore the currency market even though it has been playing a less important role in recent days. Should the dollar manage to depreciate beyond $1.5000 against the euro, it may spur additional buying of commodities, including base metals. The euro looked very weak on Friday and the dollar almost broke below $1.4800. However, since early this morning the dollar depreciated substantially and is currently trading around $1.4980.

Additional buying support for base metals is on the back of speculation that the RMB might appreciate faster against the dollar. Should the RMB appreciate, it would make dollar-denominated commodities cheaper for China.

Aluminium is the laggard this morning. After rallying higher on the back of copper earlier today, the metal is once again heading towards the $2,000—$2,050 range. On the back of copper and the fact that crude oil is finding good support above $75 should see aluminium also well protected on the downside.

By Walter de Wet

Precious metals

Precious metals are trading higher. The market looked to break lower on Friday but it did not and, like a week earlier, short-covering pushed metals higher in late afternoon trade in New York. Overall, our strategy for precious metals remains to buy dips in prices.

This morning equities in Asia and Europe are higher and according to the futures market, US equities will also open higher. Stronger equities should support precious metal prices. However, whether the euro can break above $1.5000 level will be key to more upside for the metals today. Correlation between commodities and the dollar has fallen sharply because the dollar has been very range-bound lately. But with the market in bullish mode, a break-out of the euro above $1.5000 could be a catalyst for a move higher.

Gold rallied in Asia this morning. The metal is drawn towards the $1,200 level where there are a sizable amount of calls expiring today. While gold at $1,200 looked unlikely on Friday morning, it looks possible today. We see the next resistance at $1,175 and the $1,200. Support comes in at $1,150. If gold pushes much higher, it may spur interest in other commodities as well.

Platinum and palladium are trading higher along with gold. Our target for platinum at ZAR11,200 has almost been achieved (currently trading around $11,000). While we do not rule out further upside in platinum, we see the risk of adding longs at current levels as high. We would wait for better entry points to add new longs.

Base metals are higher on the back of copper (which is touching the $7,000 level). Silver is finding additional benefit from support towards copper. We see support for silver at $18.40 and $18.00, while resistance is at $18.95—$19.00 and $19.60. Should gold make an attempt to break through $1,200 today, we may see silver well above $19.00.

By Walter de Wet

Energy

Crude oil prices are higher this morning, supported by a weaker US dollar and signs of increasing Chinese crude oil demand. The greenback has slipped from $1.4833 to $1.4972 against the euro this morning, supporting the energy complex. Of note, the rolling correlation (on a 5-day basis) between the trade-weighted dollar and front-month WTI crude oil has climbed from 60%, on Friday, to 70% this morning. Front-month WTI crude has subsequently climbed from $77.70/bbl to $78.50/bbl this morning. Support and resistance are at $76.90/bbl and $79.30/bbl respectively for front-month WTI crude oil today.

On the demand side, Chinese Customs data showed a 31% m/m contraction in net gasoline exports to 344,885 in October which may indicate growing domestic Chinese gasoline demand. The data also showed China's oil processing climbed to a record high in October at 33.3 million tonnes. This comes as the country's economic recovery rekindled crude and refined product demand.

Front-month ICE Brent crude oil also garnered support in Asia this morning, climbing from $77.80/bbl to $78.32/bbl ahead of Euro-zone and German PMI Manufacturing data. Both indicators were in-line with expectations signalling continued expansion (from a very low base) in Euro-zone manufacturing. The data added to support for ICE Brent Crude futures.

Weaker crude oil prices on Friday and signs of weaker Chinese coal import demand weighed on thermal coal contract prices. API2(CIF ARA) for December delivery shed $0.95/mt to $77.90/mt. API4(FOB) for December delivery shed $0.95/mt to $68/mt. Due to small coal mines resuming operations in China, the country's net coal imports contracted 13.7% m/m in October to 9.09 million tonnes. Concerns over rising Chinese domestic supplies may see coal prices lag any rally in crude oil.

Carbon contract prices also came under pressure on Friday amid weaker crude and German base load power prices. ICE EUA for December 2009 delivery was EUR0.34/mtCO2 lower at EUR13.06/mtCO2. UN-backed CER for December 2009 delivery shed EUR0.06/tmtCO2 to EUR 12.19/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	4,592,850	4,595,250	1,425	3,825	-2,400	2,263,950	123,200	2.68	222,265
Copper	421,875	420,550	1,525	200	1,325	82,100	1,875	0.44	148,476
Lead	135,125	134,800	350	25	325	89,975	275	0.20	24,190
Nickel	132,828	132,912	-	84	-84	54,438	2,016	1.52	29,683
Tin	26,940	26,950	-	10	-10	19,150	265	0.98	35,939
Zinc	450,375	448,650	2,475	750	1,725	196,875	7,325	1.63	71,302

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	15,710	15,790	140
Copper	54,230	54,760	1,110
Zinc	18,180	18,330	330

COMEX active month future prices

	Open	Close	Change	Change (%)
Ali Nov'09	-	-	-	-
Cu Nov'09	311	312.80	2.20	0.71%

ZAR metal prices (20 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,990	51,011	17,499	126,258	113,678	16,646	7.5785
3-month	15,880	52,805	18,085	128,350	115,631	17,391	7.7087

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 ($/bbbl)	84.11	-0.46	82.92	-1.18	83.58	-1.22	86.16	-1.23	-	94.95
Gasoil 0.1% Rdam ($/mt)	619.25	10.00	631.25	9.50	631.25	-10.50	652.50	-9.50	692.25	-7.50
NWE CIF jet ($/mt)	673.40	-3.42	675.40	-12.11	685.40	-12.65	712.27	-10.87	759.13	-11.20
Singapore Kero ($/bbl)	85.18	-0.48	84.82	-1.10	85.53	-1.20	87.86	-1.22	93.58	-1.01
3.5% Rdam barges ($/mt)	445.92	-3.08	444.24	-7.29	447.75	-7.00	453.28	-5.80	460.71	-4.64
1% Fuel Oil FOB ($/mt)	471.30	-1.91	467.49	-5.04	474.75	-6.50	487.78	-6.05	507.21	-4.64
Sing FO 380 Cargo ($/mt)	465.49	-6.93	467.75	-6.75	469.29	-6.57	472.99	-5.83		
Sing FO180 Cargo ($/mt)	469.49	-2.15	469.24	-6.54	472.00	-6.50	476.78	-5.80		
Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	77.90	-0.95	89.55	-0.45	84.20	-0.60	99.00	-0.50	106.15	-0.50
API4 (FOB RBCT)	68.00	-0.95	80.55	-0.45	75.80	-0.60	89.50	-0.50	96.35	-0.50
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.06	-0.34	13.06	-0.34	13.23	-0.45	13.73	-0.38	14.45	-0.49
ICE - ECX CER (€/mt)	12.30	-0.15	12.19	-0.06	11.84	-0.06	11.85	-0.02	12.14	-0.31

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month
Gold	0.29400	0.31600	0.33200	0.42000	0.57400
Silver	0.54600	0.54600	0.54600	0.54600	0.55600
USD Libor	0.23594	0.24688	0.26219	0.48938	1.02125

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	72.86	1,130.41	1,098.92	1,005.18	966.55	1,142.00	1,175.00
Silver	62.42	18.01	17.46	15.82	14.72	18.24	19.00
Platinum	64.58	1,415.57	1,377.52	1,283.62	1,215.19	1,435.00	1,481.00
Palladium	67.81	360.33	343.54	297.68	262.05	357.00	375.00

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	Oct'09	Jun'10	Oct'09
Settlement	1,162.60	18.7350	371.80	1,441.90	1,162.80	3,269.00	1,163.90
Open Interest	538,709	141,208	22,170	34,582	2,174	106,389	4,663
Change in Open Interest	26,785	5,664	-71	2,095	241	5,196	-100

Date: 20 November 2009

Sources: Standard Bank; LME; Bloomberg

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