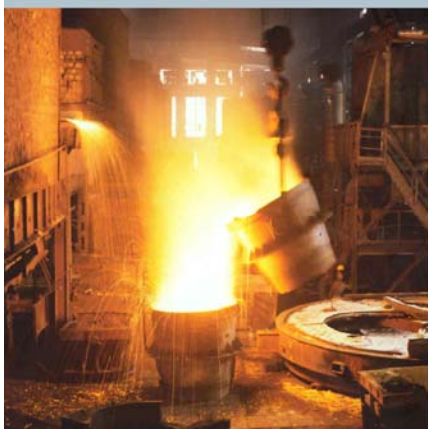


24 November 2009



Focus: Speculative activity rising for many commodities Not only precious metals have seen a rise in speculative activity; other commodities are also seeing a rapid rise in speculative positions. **From a fundamental perspective, upside should be limited.** However, there is enough liquidity to drown fundamental factors.

- Base metals prices seem well supported despite a weak physical market for many base metals. The rise in metal prices is not because of dollar weakness. Metal prices have also moved higher *despite* a very range-bound dollar in the past two weeks. We do not view strong metal prices as improvement in fundamentals; we view it as an improvement in liquidity.
- Gold has not traded up to \$1,200 following call option expiry yesterday. However, gold remains well supported.
- After a weaker US dollar propelled front-month WTI crude oil from \$77.70/bbl to \$79.92/bbl yesterday, concerns over persistent US crude oil demand weakness saw the contract slip back to \$77.13/bbl in late afternoon trade. Front-month WTI crude was directionless this morning, climbing to \$77.80/bbl before retreating to \$77.30/bbl .

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Commodity price data (23 November 2009)**Base metals LME 3-month**

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash – 3m
Aluminium	2,055	2,037	2,078	2,025	-22	-1.07	2,022.00	44	-34.00
Copper	6,950	6,946	7,010	6,891	145	2.13	6,945.50	215	-26.00
Lead	2,395	2,410	2,428	2,360	64	2.73	2,375.50	67	-25.50
Nickel	16,950	16,910	17,175	16,800	305	1.84	16,855.00	195	-61.00
Tin	15,000	15,250	15,199	14,950	225	1.51	15,075.00	75	25.00
Zinc	2,287	2,272	2,323	2,265	17	0.75	2,258.50	62	-31.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.55	77.66	79.58	77.12	0.20	0.26%
NYMEX WTI	77.45	77.71	77.80	77.22	0.15	0.19%
ICE Gasoil	611.50	614.50	631.25	610.25	-13.75	-2.24%
API2 Q1'10	77.90	78.00	-	-	0.10	0.13%
ICE EUA Dec09	13.06	13.08	-	-	0.02	0.15%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,166.00	1,169.50	1,173.70	1,158.00	1,164.30	17.80	-0.3/0.1
Silver	-	18.66	18.93	18.57	18.57	0.15	-1.0/1.0
Platinum	1,469.00	1,464.00	1,474.00	1,455.00	1,463.00	28.00	3/5
Palladium	370.00	370.00	373.00	366.00	367.00	5.00	0/2

Sources: Standard Bank; LME; BBG



Focus: Speculative activity rising for many commodities

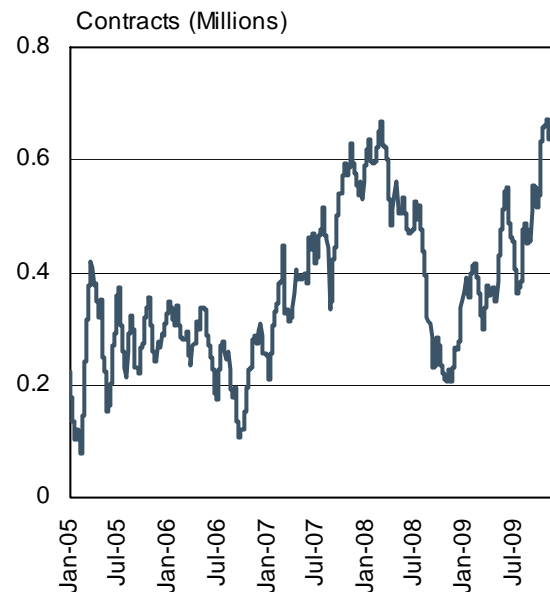
Yesterday, we said that the speculative positions for PGM are high. However, not only precious metals have seen a rise in speculative activity (as defined by CFTC data). Other commodities are also seeing a rapid rise in speculative positions.

There are gathering signs of growth, especially in Asia. However, the crude oil market, the base metals market, even the precious metals market, remain well stocked. Stockpiles are high, while benchmark commodity prices are well above the cost of production (PGM being the exception, but even here, metals prices are starting to rise above production costs). With stockpiles high for many commodities, and with little pressure on margins, **from a fundamental perspective, upside should be limited**. However, there is enough liquidity to drown fundamental factors. Unfortunately, **ample available liquidity continuously raises the risk of sharp corrections**.

We look at the cumulative net long non-commercial position for some futures contracts in the US (contracts included is soybean, wheat, corn, gold, silver, platinum, palladium, copper and WTI).

The current cumulative net speculative length for these contracts remains at the same level as in May last year, indicating large speculative activity in the commodities market. The only difference now is that some economies are showing signs of recovering. In May 2008, most economies were on the decline. Also, we expect more dollar weakness in the next six months. There is a clear correlation between dollar weakness and a rise in speculative length (especially since 2007). As a result, **speculative**

Net speculative position for selected commodities



Source: CFTC; Global Markets Research

length could last longer (but not keep rising without intermittent liquidation).

This could mean two things: *Firstly*, commodities will remain partly a dollar play (and therefore remain highly correlated with other financial assets such as equities). *Secondly*, commodity prices could be subject to sizable corrections lower, as more speculative activity means greater volatility. **We would buy on large dips**.

By Walter de Wet

Base metals

Base metals are finding resistance after yesterday morning's rally. But although the metals prices have traded lower yesterday afternoon, **prices seem well supported despite a weak physical market for many base metals**. For example, for copper, which has been driving direction in the complex, the Shanghai forward curve remains in contango and stockpiles continue to rise. LME warehouse inventories rose another 4,725mt to 429,650mt — the highest level since March this year. The rise in metal prices is not because of dollar weakness either. Metal prices have also moved higher *despite* a very range-bound dollar in the past two weeks.

We do not view strong metal prices as improvement in fundamentals; we view it as an improvement in liquidity.

This liquidity is not only supporting prices but subduing volatility in financial markets. For the first time since the crisis started, the capital raised by banks and brokers is matching the write-downs. Globally banks and brokers have written down \$1,23trn, and now raised an equal amount of capital. If this trend continues, liquidity may become even more ample. Combined with little intension by central banks to raise rates, dips in commodity prices are likely, but they are also likely to be bought.

While most of the metals have been tracking copper, **aluminium has been the laggard**. There is good selling of the metal on approach of \$2,100, which seems to cap upside. However, we also view the fact that crude oil is range-bound between \$75 and \$80. However, we see increasing pressure on oil to break out of this range. Should this occur, aluminium could also move higher.

Zinc has gone into consolidation mode but we also believe that the upward trend remains intact. However, without any breakout in the dollar, or another move higher in copper, we expect do not expect any break higher for zinc.

By Walter de Wet

Precious metals

Gold has not traded up to \$1,200 following call option expiry yesterday. However, **gold remains well supported**. Buying in the physical market is still comfortably outstripping scrap selling, which we believe will continue for the rest of the year.

Investment demand is also strong. Gold attracted new ETF inflows yesterday, with the SPDR Gold Trust ETF adding 3.96 metric tonnes to its investment holdings. There is trouble in the Eurozone, with growing pressure on Greece (which is battling with a heavy, and rising, debt burden). Greece can do very little about the debt burden, as its monetary policy is set by the ECB and currency value-determined by the Eurozone. Because of Greece, and potentially other Eurozone countries, *the euro is weak*. The Fed continues to expand its balance sheet — the latest figure shows an expansion of well over \$1trn. As a result, *the dollar is weak*. **The net result is that gold looks strong**. We see gold support at \$1,155 and resistance at \$1,175 and \$1,200.

Silver's correlation with base metals, especially copper, remains very high, at almost 0.95 on a 10-day basis. Copper is finding resistance at \$7,000. **We see silver resistance at \$19.00 and support at 18.40 and \$18.25**.

Platinum and palladium are consolidating after last week's strong rally. We believe both metals will continue to find support on the downside. Platinum support is at \$1,450 and \$1,435, and resistance at \$1,470. Palladium support is at \$365 and resistance at \$375.

By Walter de Wet

Energy

After a weaker US dollar **propelled front-month WTI crude oil from \$77.70/bbl to \$79.92/bbl yesterday**, concerns over persistent US crude oil demand weakness saw the contract **slip back to \$77.13/bbl in late afternoon trade**. Front-month WTI crude was directionless this morning, **climbing to \$77.80/bbl before retreating to \$77.30/bbl** as weak Asian markets, with the Shanghai Composite and Nikkei shedding 3.45% and 1.01% respectively, which weighed on crude oil sentiment. According to a Bloomberg survey, US DOE crude stockpiles are expected to have gained 1,500K barrels last week, while official DOE data is due to be released tomorrow. We believe the combination of a weaker US dollar and US crude oil demand-side concerns could sustain high oil price volatility today.

On the economic data front, the spotlight turns to the revised US Q3:09 GDP and consumer confidence data — market expectations are for US GDP growth to be revised to 2.8% q/q, from a previous 3.5% q/q.

Thermal coal contract prices were steady yesterday amid firmer crude oil prices in Europe. There were some positive signals in the Asia-Pacific region as data at the Newcastle Coal Terminal, Asia's main coal hub, showed a weekly contraction in thermal coal inventories, while the shipping queue grew from 35 to 38 vessels last week. Coal export tonnage at the Newcastle terminal contracted 5.19% w/w — which we believe is a result of congestion and lower Chinese thermal coal import demand.

Carbon contracts were a mixed bag yesterday. ICE EUA for December 2009 delivery gained EUR0.02/mtCO₂, to EUR13.08/mtCO₂; UN-backed CER for December 2009 shed EUR0.01/mtCO₂, to EUR12.18/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	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,750	15,680	-115	Ali Nov'09	-	-	-	-
Copper	54,510	54,480	-280	Cu Nov'09	316	316.00	-0.20	-0.06%
Zinc	18,400	18,310	-20					

ZAR metal prices (23 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	15,147	52,029	17,795	126,261	112,927	16,918	7.4910
3-month	15,530	52,956	18,374	128,920	116,264	17,322	7.6239

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)	84.11	0.00	85.55	2.63	86.06	2.48	88.61	2.45	-	94.95
Gasoil 0.1% Rdam (\$/mt)	614.50	-13.75	626.25	-13.50	633.00	-15.50	668.75	-0.75	708.25	16.00
NWE CIF jet (\$/mt)	679.69	6.29	693.59	18.19	703.38	17.98	728.64	16.37	769.30	10.17
Singapore Kero (\$/bbl)	85.15	-0.03	87.35	2.53	87.91	2.38	90.16	2.30	95.76	2.18
3.5% Rdam barges (\$/mt)	449.99	4.07	451.33	7.09	455.07	7.32	460.31	7.03	467.28	6.57
1% Fuel Oil FOB (\$/mt)	474.94	3.64	474.83	7.34	482.07	7.32	494.81	7.03	514.03	6.82
Sing FO 380 Cargo (\$/mt)	473.08	7.59	475.57	7.82	477.22	7.93	481.06	8.07		
Sing FO180 Cargo (\$/mt)	470.02	0.53	476.08	6.84	479.32	7.32	484.56	7.78		

Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	78.00	0.10	89.55	0.00	84.35	0.15	98.85	-0.15	105.60	-0.55
API4 (FOB RBCT)	68.10	0.10	80.55	0.00	75.95	0.15	89.35	-0.15	95.80	-0.55
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	13.08	0.02	13.08	0.02	13.28	0.05	13.80	0.07	14.53	0.08
ICE - ECX CER (€/mt)	12.28	-0.02	12.18	-0.01	11.82	-0.02	11.82	-0.03	12.11	-0.03

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.27833	0.30167	0.34333	0.40167	0.52500		
Silver	0.56167	0.56167	0.56167	0.56333	0.57167		
USD Libor	0.23594	0.24688	0.26188	0.48563	1.02000		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	73.40	1,137.59	1,105.72	1,007.66	967.58	1,156.00	1,176.00
Silver	61.79	18.14	17.56	15.88	14.75	18.45	18.90
Platinum	63.10	1,426.07	1,384.39	1,286.83	1,217.00	1,442.00	1,471.00
Palladium	68.13	364.43	345.87	299.01	262.84	365.00	376.00
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	1,168.00	18,7050	374.45	1,467.60	1,167.50	3,348.00	1,168.50
Open Interest	535,380	143,674	22,360	34,647	2,174	107,110	4,663
Change in Open Interest	-3,329	2,466	190	65	0	721	0

Date: 23 November 2009

Sources: Standard Bank; LME; Bloomberg

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