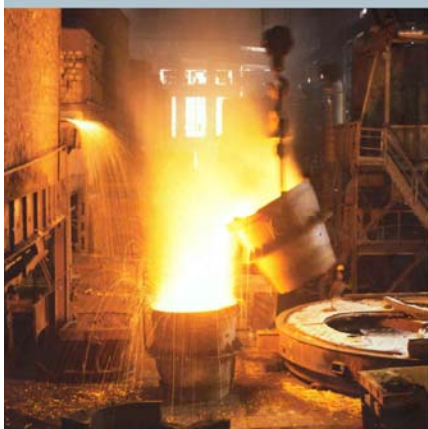


27 November 2009



Focus: Buy gold dip This morning, gold touched \$1,191 in Asia. However, in just a few hours, gold sold off aggressively, alongside other commodities. Liquidity is presently very low. With gold around \$1,150, we would buy this dip.

- Base metals pushed rapidly lower this morning. There is growing risk aversion in markets as investors contemplate the Dubai World credit freeze. EM credit spreads have widened — indicative of investors growing more concerned about credit conditions globally. With gold falling from \$1,190 to \$1,138 in hours, base metals followed. However, things have since stabilised, and metals are trading well off their lows.
- In low volumes, precious metals have sold off aggressively; we see this as a buying opportunity.
- Front-month WTI crude oil slid from \$76.40/bbl to as low as \$72.40/bbl early this morning. While WTI has bounced back from the lows, it has broken below important support at \$75. The weak crude oil demand prognosis, which came from this week's API and DOE crude and distillate inventory data, coupled with reduced investor risk appetite, is weighing on the front-end of the WTI curve.

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Commodity price data (26 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	2,009	2,054	2,005	-38	-1.86	2,009.50	3	-31.50
Copper	6,928	6,821	7,060	6,813	-164	-2.35	6,904.50	-10	-28.00
Lead	2,374	2,350	2,410	2,340	-50	-2.09	2,344.00	-10	-28.25
Nickel	16,825	16,600	17,160	16,550	-425	-2.50	16,775.00	-25	-59.00
Tin	15,000	15,100	15,050	14,900	-75	-0.50	15,025.00	25	0.00
Zinc	2,275	2,256	2,309	2,255	-52	-2.25	2,242.00	-6	-29.75

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	77.18	76.70	77.18	76.70	-0.29	-0.38%
NYMEX WTI	77.80	75.67	77.94	75.67	-2.29	-3.03%
ICE Gasoil	607.50	607.25	608.75	605.25	-3.50	-0.58%
API2 Q1'10	77.40	77.10	-	-	-0.30	-0.39%
ICE EUA Dec09	12.88	12.98	-	-	0.10	0.78%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFPs
Gold	1,183.00	1,182.75	1,194.50	1,180.00	1,186.50	0.00	-0.4/0.0
Silver	-	18.36	18.86	18.40	18.77	0.00	-1.5/0.5
Platinum	1,454.00	1,455.00	1,474.00	1,451.00	1,470.00	0.00	3/5
Palladium	369.00	368.00	373.00	366.00	370.00	0.00	0/2

Sources: Standard Bank; LME; BBG



Focus: Buy gold dip

This morning, gold touched \$1,191 in Asia. However, in just a few hours, gold sold off aggressively, alongside other commodities. Liquidity is presently very low. **With gold around \$1,150, we would buy this dip.**

We still see support in the physical market. We also believe the renewed focus on credit risk, combined with ample liquidity, should keep investment demand for gold high.

Two weeks ago, we reported on gold support in the physical market despite gold reaching new highs at that time. We revisit our index. This support still seems in place.

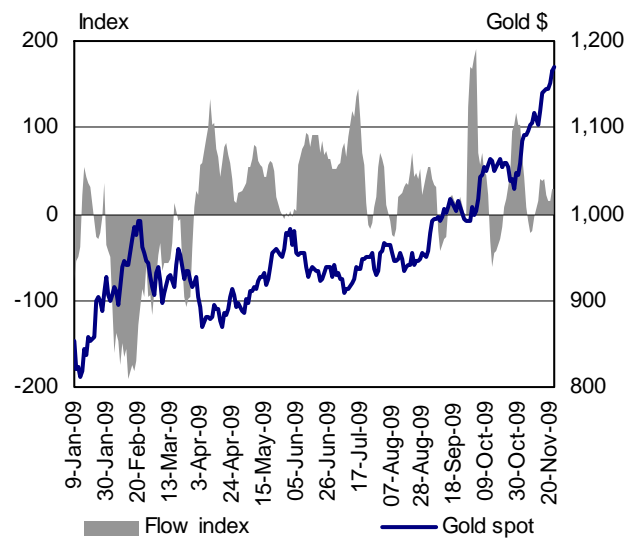
When gold breached \$1,000 in early September, physical selling went neutral (see [Physical Gold Index approaching zero](#)). A value for the index above zero shows net buying. A value below zero shows net selling. The higher the value on either side of zero (in absolute terms), the greater the buying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

Buying momentum spiked sharply in Q4:09 and, although down from recent highs, we still see net physical buying. Therefore, 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. However,

Figure 1: Physical gold flow index



Source: Global Markets Research; API, DOE

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

Base metals pushed rapidly lower this morning. The sell-off was broad-based across all base metals, precious metals and energy, and took place amid decent volumes for base metals.

There is growing risk aversion in markets as investors contemplate the Dubai World credit freeze. EM credit spreads have widened — indicative of investors growing more concerned about credit conditions globally. The euro has weakened against the dollar. Europe has far greater exposure to the UAE than the US. With gold falling from \$1,190 to \$1,138 in hours, base metals followed. However, things have stabilised, and metals are trading well off their lows.

Copper has fallen from \$6,870 to a low of \$6,620. But it has bounced back already, now trading well above \$6,700 again. Shanghai warehouse data showed copper stocks fell 6,128 tonnes during the week. This was partly offset by a rise of 3,000mt in LME warehouse stock. While copper is staging a recovery from the intra-day lows this morning, we expect it to struggle to make up lost ground. Risk aversion abides, and the futures market signals that US equities will open lower today. This could dampen buying appetite.

Aluminum fell, in tandem with copper, touching \$1,950. However, the metal has since bounced back to \$1,990. But we see aluminium as a laggard today, not only because copper is likely to struggle, but also because crude oil has fallen below the \$75 resistance level. It is going to be very difficult for crude to rally above this level under current market conditions. Shanghai aluminium inventories have risen only 100 tonnes during the week, while LME inventories are down 2,350 tonnes this morning.

The rest of the complex might look to copper today. Zinc is trading just below \$2,190. Shanghai stocks of the metal have risen 2.2%, to 166,816 tonnes during the week. Lead has fallen a massive \$200 since this morning, to \$2,145. However, it is now back at \$2,250.

By Walter de Wet

Precious metals

In low volumes, **precious metals have sold of aggressively; we see this as a buying opportunity.**

Equity, according to the futures market, are set for another negative day (even after yesterday's sell-off). A decline in equity markets could push commodities even lower. But for precious metals, we might have seen the worst of the sell-off. It is difficult to gauge the true effect of effect of the Dubai World news on commodity markets, and we would have to wait for Monday. Because markets are so illiquid, we believe the sell-off has been overdone.

While the futures market indicates US equities will open lower, it is also the US that has, compared to Europe, less exposure to Dubai. As a result, we could see some stabilization in prices when US markets open. Buying may return at current prices when US markets open.

For gold, the market may stage a recovery into the \$1,160 to \$1,165 area, possibly \$1,175. We see support at \$1,134 and \$1,128, with \$1,120 providing additional downside protection.

Silver is substantially lower. We expect more volatility. Silver support is at \$17.80 and \$18.00, with resistance at \$18.70 and \$19.00.

Platinum should struggle today after the sell-off. However, we do not believe there will be much more aggressive selling. The metal very strong resistance at \$1,488. We see support is at \$1,417. A break lower yields \$1,407, and should then see a recovery. Through \$1,407 opens up the downside to \$1,386, and if this gives way, expect a retracement to as low as \$1,300.

By Walter de Wet

Energy

Crude oil prices are weaker this morning. In equity markets, Japan's Nikkei shed 3.22% despite better-than-expected unemployment data, which showed the country's unemployment rate at 5.1% m/m in October against market expectations at 5.4% m/m; China's Shanghai Composite retreated 2.36% this morning.

Front-month WTI crude oil slid from \$76.40/bbl to as low as \$72.40/bbl early this morning. While WTI has bounced back from the lows, it has broken below important support at \$75. The weak crude oil demand prognosis, which came from this week's API and DOE crude and distillate inventory data, coupled with reduced investor risk appetite, is **weighing on the front-end of the WTI curve**. Equity index futures are pricing in losses in Europe and the US today, which may make it difficult for crude to regain losses.

Increased investor risk aversion has seen the dollar climb from \$1.5013 to \$1.4829 against the euro. **This could add more weight on the front-end of the WTI crude oil forward curve** — with the rolling correlation between front-month WTI crude and the trade-weighted US dollar rising from -0.61, yesterday to -0.79 this morning.

Thermal coal contracts were mixed yesterday as the Baltic Dry index endured its 4th decline this week, sliding 2.7%. API2 (CIF ARA) for December delivery contracted \$0.30/mt, to \$77.10/mt. Despite the C4 spot index (a measure of freight rates between Richards Bay and Rotterdam) sliding 3.2% yesterday, API4(FOB) gained \$0.70/mt, to \$68.30/mt.

Carbon contracts firmed yesterday amid higher German base load power prices. ICE EUA for December delivery gained EUR0.10/mtCO₂ TO EUR12.98/mtCO₂. UN-backed CER for December delivery gained EUR0.10/mtCO₂, to EUR12.08/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	4,600,375	4,602,725	750	3,100	-2,350	2,271,475	119,575	2.60	115,171
Copper	435,075	432,075	3,575	575	3,000	95,300	1,375	0.32	86,040
Lead	137,275	137,025	250	-	250	92,125	250	0.18	21,253
Nickel	135,480	133,446	2,286	252	2,034	57,090	1,344	0.99	13,018
Tin	26,805	26,870	-	65	-65	19,015	495	1.85	18,977
Zinc	455,100	455,425	-	325	-325	201,600	6,325	1.39	37,852

Shanghai 3-month forward prices

Metal	Open	Last	1d Change	COMEX active month future prices	Open	Close	Change	Change (%)
Aluminium	15,560	15,550	-120	Ali Nov'09	-	-	-	-
Copper	54,000	54,050	-1,000	Cu Nov'09	320	318.60	-1.10	-0.34%
Zinc	18,050	18,065	-350					

ZAR metal prices (26 November 2009)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	14,986	51,490	17,480	125,100	112,049	16,720	7.4575
3-month	15,237	51,734	17,824	125,903	114,526	17,111	7.5845

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)	83.93	-0.02	83.59	1.51	84.03	1.42	86.39	1.21	-	-
Gasoil 0.1% Rdam (\$/mt)	607.25	-3.50	618.50	-3.75	631.00	1.00	652.50	0.75	692.00	0.75
NWE CIF jet (\$/mt)	675.27	1.47	673.89	7.63	684.05	6.35	711.32	9.00	752.55	8.13
Singapore Kero (\$/bbl)	84.90	-0.12	84.99	1.11	85.68	1.22	87.84	1.11	93.32	1.06
3.5% Rdam barges (\$/mt)	447.86	1.62	452.26	11.27	455.75	10.75	460.41	10.21	467.31	9.69
1% Fuel Oil FOB (\$/mt)	471.73	1.67	474.26	10.77	482.50	10.75	494.41	9.46	514.31	9.44
Sing FO 380 Cargo (\$/mt)	476.50	11.00	477.56	10.53	478.80	10.56	481.89	10.21		
Sing FO180 Cargo (\$/mt)	469.48	0.03	477.76	11.27	480.25	10.75	484.16	9.96		

Thermal coal	Q1-10		Q2-10		Q3-1		Cal 11		Cal 12	
API2 (CIF ARA)	77.10	-0.30	88.00	-0.20	83.10	-0.30	96.25	-0.65	102.75	-0.65
API4 (FOB RBCT)	68.30	0.70	78.90	-0.20	74.70	-0.30	86.75	-0.65	93.10	-0.65
Carbon	Spot		Dec-09		Dec-10		Dec-11		Dec-12	
ICE - ECX EUA (€/mt)	12.98	0.08	12.98	0.10	13.17	0.11	13.71	0.09	14.42	0.13
ICE - ECX CER (€/mt)	12.15	0.07	12.08	0.10	11.74	0.13	11.71	0.14	12.20	0.13

Precious metals

Forwards (%)	1-month	2-month	3-month	6-month	12-month		
Gold	0.26600	0.28400	0.32000	0.39600	0.51400		
Silver	0.58600	0.58600	0.58600	0.58400	0.58400		
USD Libor	0.23406	0.24375	0.25438	0.47625	1.00313		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	73.68	1,159.68	1,127.81	1,015.87	970.61	1,178.00	1,193.00
Silver	58.52	18.48	17.87	16.05	14.81	17.96	18.68
Platinum	60.59	1,451.60	1,404.54	1,297.33	1,222.56	1,433.00	1,471.00
Palladium	65.31	369.81	352.72	302.99	265.10	361.00	373.00
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	1,185.80	18,3750	367.00	1,479.50	1,193.40	3,303.00	1,185.00
Open Interest	521,253	136,162	22,916	34,981	1,519	107,524	4,118
Change in Open Interest	0	0	0	0	-104	414	0

Date: 26 November 2009

Sources: Standard Bank; LME; Bloomberg

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