

FICC Research

Commodities: Daily



26 October 2010

Walter de Wet, CFA*
Walter.DeWet@standardbank.com

Leon Westgate*
Leon.Westgate@standardbank.com

- Base metals came down yesterday as dollar weakness abated. However, the recent signs of improving global industrial activity curbed these price declines. The precious metals complex too lost ground as the dollar strengthened. Comments by the Fed's Hoenig and encouraging US home sales and manufacturing data have dampened expectations concerning the magnitude of quantitative easing. In addition, profit-taking is placing a further drag on gold and silver.
- With the sustainability of the global recovery still largely reliant on the US consumer, this afternoon's US consumer confidence figures could have a significant impact on markets. An improvement might see a further strengthening of the dollar, consequently putting pressure on metals — especially precious metals.
- Oil moved higher yesterday as the US dollar reversed its gains from the previous two sessions. December WTI future closed \$0.83/bbl higher, at \$82.52/bbl. We had the news yesterday that workers at three out of the twelve refineries in France had voted to end their strikes. The others are likely to follow suit. The US DOE inventory levels due to be out tomorrow will give some hints on the change of the trans-Atlantic product arbitrage caused by the strike. In the meantime, oil has retreated along with the strengthening dollar, and is likely to trade inside its narrow range-bound pattern before the Fed's meeting.

NOTE: The full version of this report will resume on Wednesday 27 October.

Commodity price data (25 October 2010)

| Base metals LME 3-month | | | | | | | | | |
|-------------------------|----------|----------|----------|-----------|--------------|--------------|-------------|-----------------------|-----------|
| | Open | Close | High | Low | Daily change | Change (%) | Cash Settle | Change in cash settle | Cash – 3m |
| Aluminium | 2,393 | 2,374 | 2,390 | 2,366 | 7 | -0.79% | 2,362.00 | 36 | -32.25 |
| Copper | 8,505 | 8,518 | 8,554 | 8,458 | 183 | 0.15% | 8,501.00 | 192 | -10.50 |
| Lead | 2,582 | 2,585 | 2,610 | 2,570 | 55 | 0.12% | 2,560.00 | 66 | -27.00 |
| Nickel | 23,750 | 23,575 | 23,690 | 23,340 | 375 | -0.74% | 23,755.00 | 350 | -69.25 |
| Tin | 26,755 | 26,900 | 27,000 | 26,700 | 500 | 0.54% | 26,795.00 | 390 | -25.00 |
| Zinc | 2,583 | 2,566 | 2,639 | 2,560 | 53 | -0.66% | 2,552.50 | 63 | -28.25 |
| Energy | | | | | | | | | |
| | Open | Close | High | Low | day/day | Change (%) | | | |
| ICE Brent | 83.30 | 83.18 | 83.55 | 83.15 | -0.36 | -0.43% | | | |
| NYMEX WTI | 82.47 | 82.04 | 82.50 | 82.03 | -0.48 | -0.59% | | | |
| ICE Gasoil | 709.75 | 706.25 | 710.25 | 706.00 | -4.00 | -0.57% | | | |
| API2 Q4'10 | 100.50 | 101.70 | - | - | 1.20 | 1.18% | | | |
| EUA Dec10 | 14.96 | 15.17 | - | - | 0.21 | 1.40% | | | |
| Precious metals | | | | | | | | | |
| | AM Fix | PM Fix | High bid | Low offer | Closing bid | Change (d/d) | EFPs | | |
| Gold | 1,345.00 | 1,337.50 | 1,347.85 | 1,329.50 | 1,338.50 | 14.00 | 0.0/0.4 | | |
| Silver | - | 23.50 | 23.81 | 23.32 | 23.53 | 0.42 | -1.0/1.0 | | |
| Platinum | 1,696.00 | 1,702.00 | 1,695.00 | 1,679.00 | 1,694.00 | 21.00 | 3.5/5.5 | | |
| Palladium | 607.00 | 611.00 | 618.00 | 594.00 | 616.00 | 26.00 | 1.0/3.0 | | |

Sources: Standard Bank; LME; BBG

Please refer to the disclaimer at the end of this document.

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 | 4,319,275 | 4,320,950 | 3,375 | 5,050 | -1,675 | -309,625 | 197,700 | 4.58 | 147,526 |
| Copper | 368,375 | 368,825 | 700 | 1,150 | -450 | -133,950 | 28,700 | 7.79 | 74,341 |
| Lead | 197,725 | 197,775 | 250 | 300 | -50 | 51,225 | 5,950 | 3.01 | 29,237 |
| Nickel | 126,768 | 125,670 | 1,218 | 120 | 1,098 | -31,242 | 4,290 | 3.38 | 23,586 |
| Tin | 12,670 | 12,640 | 110 | 80 | 30 | -14,095 | 395 | 3.12 | 4,976 |
| Zinc | 607,000 | 607,250 | - | 250 | -250 | 118,950 | 40,125 | 6.61 | 71,138 |

Shanghai 3-month forward prices

COMEX active month future prices

| Metal | Open | Last | 1d Change | | Open | Close | Change | Change (%) |
|-----------|--------|--------|-----------|------------|------|--------|--------|------------|
| Aluminium | 16,710 | 16,730 | -25 | Ali Dec'10 | - | - | - | - |
| Copper | 64,800 | 64,630 | 430 | Cu Dec'10 | 386 | 385.75 | -0.55 | -0.14% |
| Zinc | 20,960 | 21,185 | 500 | | | | | |

ZAR metal prices (25 October 2010)

| | Aluminium | Copper | Lead | Nickel | Tin | Zinc | ZAR/USD fix |
|---------|-----------|--------|--------|---------|---------|--------|-------------|
| Cash | 16,314 | 58,716 | 17,682 | 164,076 | 185,073 | 17,630 | 6.9070 |
| 3-month | 16,631 | 59,672 | 18,109 | 165,152 | 188,445 | 17,976 | 7.0054 |

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) | 92.95 | 0.37 | 93.86 | 1.24 | 94.34 | 1.25 | 95.67 | 1.32 | - | - |
| Gasoil 0.1% Rdam (\$/mt) | 706.25 | -4.00 | 708.75 | -4.25 | 712.75 | -4.00 | 723.75 | 9.75 | | |
| NWE CIF jet (\$/mt) | 758.47 | 1.51 | 757.50 | 10.50 | 762.11 | 11.08 | 772.72 | 10.83 | | |
| Singapore Kero (\$/bbl) | 94.49 | 0.40 | 95.06 | 1.19 | 95.49 | 1.25 | 96.72 | 1.32 | | |
| 3.5% Rdam barges (\$/mt) | 453.74 | 1.51 | 455.50 | 7.25 | 457.50 | 7.25 | 466.47 | 7.14 | | |
| 1% Fuel Oil FOB (\$/mt) | 471.69 | 2.00 | 477.50 | 6.25 | 481.75 | 6.00 | 492.97 | 5.64 | | |
| Sing FO 380 Cargo (\$/mt) | 100.15 | - | 100.15 | - | 100.15 | - | 100.15 | - | | |
| Sing FO180 Cargo (\$/mt) | 475.87 | 2.42 | 481.25 | 7.75 | 483.75 | 7.50 | 491.47 | 7.39 | | |

Thermal coal

| | Q4-10 | | Q1-11 | | Q2-11 | | Cal 11 | | Cal 12 | |
|-----------------|--------|------|--------|------|--------|------|--------|------|--------|------|
| API2 (CIF ARA) | 101.70 | 1.20 | 102.60 | 1.30 | 102.90 | 0.90 | 103.30 | 0.90 | 107.50 | 0.10 |
| API4 (FOB RBCT) | 95.30 | 1.20 | 98.20 | 0.70 | 98.80 | 0.70 | 99.10 | 0.60 | 102.20 | 0.10 |

Precious metals

| Forwards (%) | 1-month | 2-month | 3-month | 6-month | 12-month | | |
|-------------------------|------------|-----------|-----------|------------|------------|-----------|------------|
| Gold | 0.32200 | 0.34200 | 0.37200 | 0.42000 | 0.46800 | | |
| Silver | 0.45800 | 0.46800 | 0.47800 | 0.52000 | 0.54200 | | |
| USD Libor | 0.25625 | 0.27109 | 0.28844 | 0.45250 | 0.76525 | | |
| Technical Indicators | 30-day RSI | 10-day MA | 20-day MA | 100-day MA | 200-day MA | Support | Resistance |
| Gold | 58.62 | 1,349.75 | 1,341.22 | 1,250.32 | 1,196.76 | 1,327.00 | 1,348.00 |
| Silver | 62.57 | 23.82 | 23.22 | 19.71 | 18.56 | 23.28 | 23.84 |
| Platinum | 59.40 | 1,690.80 | 1,687.31 | 1,580.51 | 1,594.32 | 1,680.00 | 1,709.00 |
| Palladium | 62.94 | 592.89 | 585.60 | 507.88 | 490.58 | 592.00 | 623.00 |
| Active Month Future | COMEX GLD | COMEX SLV | NYMEX PAL | NYMEX PLAT | DGCX GLD | TOCOM GLD | CBOT GLD |
| | Dec'10 | Dec'10 | Jan'11 | Jan'11 | Dec'10 | Aug'11 | Dec'10 |
| Settlement | 1,336.40 | 23.5200 | 609.05 | 1,697.00 | 1,337.00 | 3,483.00 | 1,337.00 |
| Open Interest | 614,385 | 149,082 | 24,270 | 37,982 | 1,741 | 101,508 | 2,248 |
| Change in Open Interest | -268 | 2,197 | 317 | 171 | - | -985 | 30 |

Date: 25 October 2010

Sources: Standard Bank; LME; Bloomberg

Disclaimer

Certification

The analyst(s) who prepared this research report (denoted by an asterisk*) hereby certifies(y) that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and issuer(s) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

Conflict of Interest

It is the policy of The Standard Bank Group Limited and its worldwide affiliates and subsidiaries (together the "Standard Bank Group") that research analysts may not be involved in activities in a way that suggests that he or she is representing the interests of any member of the Standard Bank Group or its clients if this is reasonably likely to appear to be inconsistent with providing independent investment research. In addition research analysts' reporting lines are structured so as to avoid any conflict of interests. For example, research analysts cannot be subject to the supervision or control of anyone in the Standard Bank Group's investment banking or sales and trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those sales and trading departments may conflict with your interests. **Please note that one or more of the analysts that prepared this report sit on a sales and trading desk of the Standard Bank Group.**

Legal Entities:

To U. S. Residents

Standard New York Securities, Inc. is registered with the Securities and Exchange Commission as a broker-dealer and is also a member of the FINRA and SIPC. Standard Americas, Inc is registered as a commodity trading advisor and a commodity pool operator with the CFTC and is also a member of the NFA. Both are affiliates of Standard Bank Plc and Standard Bank of South Africa. Standard New York Securities, Inc is responsible for the dissemination of this research report in the United States. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Standard New York Securities, Inc.

To South African Residents

The Standard Bank of South Africa Limited (Reg.No.1962/000738/06) is regulated by the South African Reserve Bank and is an Authorised Financial Services Provider.

To U.K. Residents

Standard Bank Plc is authorised and regulated by the Financial Services Authority (register number 124823) and is an affiliate of Standard Bank of South Africa. The information contained herein does not apply to, and should not be relied upon by, retail customers.

General

This research report is based on information from sources that Standard Bank Group believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or member of the Standard Bank Group gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of the Standard Bank Group and the research analyst's involvement with any issuer referred to above).

All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts you should consult your investment advisor. The investments discussed may fluctuate in price or value.

Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Members of Standard Bank Group may act as placement agent, advisor or lender, make a market in, or may have been a manager or a co-manager of, the most recent public offering in respect of any investments or issuers referenced in this report. Members of the Standard Bank Group and/or their respective directors and employees may own the investments of any of the issuers discussed herein and may sell them to or buy them from customers on a principal basis. This report is intended solely for clients and prospective clients of members of the Standard Bank Group and is not intended for, and may not be relied on by, retail customers or persons to whom this report may not be provided by law. This report is for information purposes only and may not be reproduced or distributed to any other person without the prior consent of a member of the Standard Bank Group. Unauthorised use or disclosure of this document is strictly prohibited. By accepting this document, you agree to be bound by the foregoing limitations. Copyright 2010 Standard Bank Group. All rights reserved.