

Commodities

Commodities: Daily



Focus: Still not entirely convinced by market positioning

6 February 2012

Focus: Looking at the latest CFTC data, market positioning in both gold and silver has improved greatly. However, given that this data covers the week ended 31 January, and includes the rally that occurred in the wake of the FOMC announcement, we await further confirmation before we'd call markets decisively more confident on these metals' prospects.

- This morning we've seen base metals come off, as concerns over the Eurozone help boost the dollar and raise concerns over the fragility of the region's metal demand. Political leaders in Greece are having difficulty in reaching an agreement for meeting conditions of the proposed international bailout.
- Precious metals came off sharply on Friday in the wake of the surprising nonfarm payrolls figures, as a stronger dollar and increased risk appetite saw investors shun the complex. After the past week's rally, some profit-taking most likely also contributed to the downward pressure. The trend has continued into this morning, with concerns over the Eurozone aiding further dollar strength and weighing precious metals down.
- The oil market received a big boost from the US employment data which had substantially exceeded market expectations. WTI and Brent gained \$1.48/bbl and \$2.51/bbl respectively, which resulted in a further widening of the WTI and Brent spreads as the Brent market attracts more bullish bets than the WTI market. Term structures of both WTI and Brent were firmer, lifted by moves in flat prices.

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Commodity price data (3 February 2012)

Base metals LME 3-month

	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m	
Aluminium	2,212	2,247	2,260	2,191	35	1.58%	2,159.00	-42	-37.75
Copper	8,345	8,565	8,599	8,318	220	2.63%	8,320.00	-19	-26.00
Lead	2,165	2,225	2,244	2,158	60	2.77%	2,147.00	-37	-31.50
Nickel	20,850	21,305	21,455	20,781	455	2.18%	20,780.00	-125	-86.00
Tin	24,000	24,400	24,500	23,900	400	1.67%	24,000.00	-100	-43.50
Zinc	2,093	2,155	2,154	2,080	63	2.99%	2,088.00	-5	-16.25

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	114.58	114.48	115.38	114.17	-0.10	-0.09%
NYMEX WTI	97.74	97.26	97.75	97.06	-0.58	-0.60%
ICE Gasoil	973.75	972.25	975.00	970.75	12.75	1.31%
API2 Q2'12	105.65	105.70	-	-	0.05	0.05%

Precious metals

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,759.50	1,734.00	1,762.00	1,734.00	1,737.70	-18.30	2.3/2.7
Silver	-	33.67	34.96	33.36	33.72	-0.45	-2.0/0.0
Platinum	1,631.00	1,630.00	1,630.00	1,630.00	1,630.00	10.00	1.5/3.5
Palladium	710.00	711.00	713.00	708.00	711.00	13.00	0.0/1.0

Sources: Standard Bank; LME; BBG

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Focus: Still not entirely convinced by market positioning

Looking at the latest CFTC data, market positioning in both gold and silver has improved greatly. However, given that this data covers the week ended 31 January, and includes the rally that occurred in the wake of the FOMC announcement, we await further confirmation before we'd call markets decisively more confident on these metals' prospects.

Net speculative length for COMEX gold grew precipitously, with a 106.6 tonne gain — the largest gain since mid-July last year. As in the previous week, the change in the net position was largely the result of speculative longs being added (94.9 tonnes). The 11.7 tonnes unwound from speculative short positions contributed marginally to the overall improvement in the net position. After this spectacular improvement, the net position at 605.0 tonnes is now much closer to last year's average of 671.3 tonnes. Short positioning now stands at 75.6 tonnes, which is within reach of a 12-month low (71.0 tonnes).

This has been the most aggressive display of confidence in gold we've seen in some time. However, given that these moves were largely as a result of the Fed's dovish announcement, and that before these moves the futures market remained cautious of gold's prospects, we still would not be surprised to see a pull-back.

ETFs added a relatively strong 14.1 tonnes of gold. ETF holdings now stand at 2,466.0 tonnes — closing in on the 12-month high of 2,469.7 tonnes recorded in early December.

We maintain gold will reach new highs in 2012, probably towards Q3. However, with gold popping still above \$1,700, we are witnessing growing resistance from the physical market. We see good value on approach of \$1,600.

Looking at COMEX silver, net speculative length continued its dramatic improvement of the past five weeks, with 426.0 tonnes added this past week. This brings the total net speculative

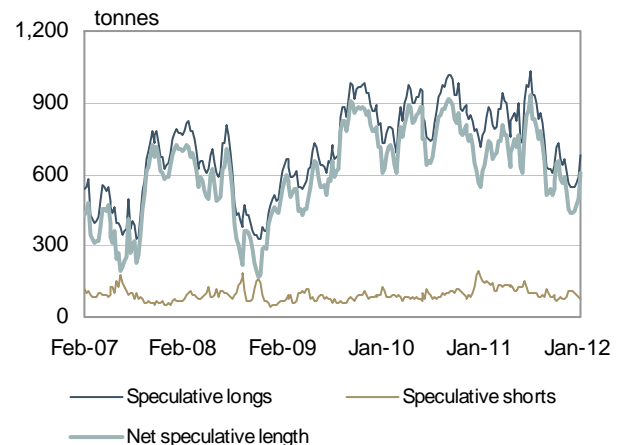
Base Metals

On Friday, base metals enjoyed strong support after much-better-than-anticipated nonfarm payrolls data boosted expectations of increased industrial demand from a strengthening US economy. However, while the numbers are encouraging, we remain doubtful that the US will strengthen enough to pick up the slack from a still slowing Chinese economy. Like the Fed, we still believe that there is some way to go for labour market conditions and general economic activity.

This morning we've seen the complex come off, as concerns over the Eurozone help boost the dollar and raise concerns over the fragility of the region's metal demand. Political leaders in Greece are having difficulty in reaching an agreement for meeting conditions of the proposed international bailout.

From Friday's release of the CFTC data, net speculative length for COMEX copper saw a marginal deterioration, losing 4.6 tonnes this past week. This decrease was a result of 22.0 tonnes being added to speculative shorts. The 17.4 tonne increase in long positions went a long way in softening the overall deterioration. Despite the drop, net speculative length remains in positive territory. Speculative shorts are still quite high; they are at 379.7 tonnes, compared to last year's average of 300.2 tonnes. Confidence, however, appears to be growing, with speculative longs currently at 426.0 tonnes, closing in on the 2011 average of 440.0 tonnes.

COMEX gold speculative longs and shorts



Sources: COMEX; Standard Bank Research

length added this year to 1,687.9 tonnes. Once again, the fall in short position continued with a decline of 197.2 tonnes recorded. However, this time participants were more eager to put on long positions, 228.7 tonnes added — the second largest gain this year. As for gold, while the moves of the past week are encouraging, we would await further confirmation of this trend, especially as the euphoria over the Fed's announcement wanes.

ETF buying of silver more than reversed last week's loss, with 97.5 tonnes added to holdings this past week. ETF holdings of silver are currently at 18,178.3 tonnes — up 300.5 tonnes for the year.

By Marc Ground

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Precious metals

Precious metals came off sharply on Friday in the wake of the surprising nonfarm payrolls figures, as a stronger dollar and increased risk appetite saw investors shun the complex. After the past week's rally, some profit-taking most likely also contributed to the downward pressure. The trend has continued into this morning, with concerns over the Eurozone aiding further dollar strength and weighing precious metals down.

Net speculative length for NYMEX platinum gained for a fifth successive week, picking up 149.1k oz — the strongest gain since the end of August 2011. As in the previous week, improvement was largely attributable to an unwinding of short positions (114.9k oz). However, this week also saw an encouraging increase in longs (34.2k oz). While total short positions are still worryingly high (at 300.3k oz compared to last year's average is 158.8k oz), net speculative length is fairly strong indicating renewed support for platinum in the futures market. ETF buying remained relatively strong, with 10.6k oz added to platinum holdings. The sustained momentum in ETF buying signals that perhaps investors are shrugging off the scepticism they showed last month.

For NYMEX palladium, net speculative length has risen a respectable 100.0k oz. The improvement was mostly attributable to a 78.7k oz increase in speculative longs, with a 21.3k oz decrease in shorts contributing further. The past week's changes bring total short positioning to 302.9k oz, almost in line with last year's average. However, total longs remain relatively weak, at only 1,160.8k oz (the 2011 average is 1,417.1k oz). Along with futures market participants, ETFs are showing growing confidence in palladium's prospects. This past week saw 42.5k oz added to palladium ETF holdings — the largest gain of the past 12 months.

Gold support is at \$1,706 and \$1,695. Resistance is \$1,747 and \$1,775. Silver support is at \$33.07 and \$32.79, resistance is at \$34.00 and \$34.65.

Platinum support is at \$1,607 and \$1,600, resistance is at \$1,629 and \$1,644. Palladium support is at \$697 and resistance at \$709.

By Marc Ground

Energy

The oil market received a big boost from the US employment data which had substantially exceeded market expectations. WTI and Brent gained \$1.48/bbl and \$2.51/bbl respectively, which resulted in a further widening of the WTI and Brent spreads as the Brent market attracts more bullish bets than the WTI market. Oil products followed the crude market up but failed to catch up to Brent, resulting in slightly weaker product cracks and refining margins. Term structures of both WTI and Brent were firmer, lifted by moves in flat prices.

Net for last week, front-month WTI fell \$1.72/bbl, while Brent gained \$3.12/bbl. The weakness in WTI was reflected in the technical pattern of its price actions and a bearish US inventory report. A delay of the planned reversal of the Seaway Pipeline announced last week has also caused the weakness to transmit further down the WTI curve, with the WTI Jun-12/Dec-12 spread falling over \$3/bbl since the beginning of January. In contrast, Brent was supported by supply disruptions from Sudan and geopolitical concerns over Iran. However, as the strength in Brent held up, refining margins were further eroded.

The latest CFTC report shows that money managers reduced their net length in WTI crude by 2.1% w/w (on a futures and options combined basis), which was driven by new short positions. Commercial hedgers' net short positions fell slightly and remained at very low absolute levels by historical standards. Meanwhile, swap dealers maintained a sizeable net short position. Nevertheless, open interest in WTI increased slightly.

This morning, the oil market retreated slightly, apparently driven by profit-taking after the rally last week. German factory orders came in better than expected this morning; another data point suggesting that the Eurozone economy is stabilising. This week will be filled with central bank actions, as the Bank of England is expecting to carry out more quantitative easing and there is a small chance of the ECB cutting the euro's benchmark rate. Recent economic data and continuously supportive central bank policies give a risk-on bias to the oil market. In addition, the market is likely to add more risk premium to the oil price because of the situation over Iran and protests inside Russia.

By James Zhang

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	4,989,000	4,992,500	500	4,000	-3,500	18,600	1,072,025	21.49	297,753
Copper	326,100	328,675	275	2,850	-2,575	-44,800	92,575	28.39	173,533
Lead	375,300	370,000	6,475	1,175	5,300	22,225	43,025	11.46	47,781
Nickel	94,524	95,850	102	1,428	-1,326	4,476	2,658	2.81	39,878
Tin	9,240	9,200	125	85	40	-2,950	1,460	15.80	4,244
Zinc	839,700	841,050	0	1,350	-1,350	18,000	14,750	1.76	123,536

Shanghai 3-month forward prices

Metal	Open	Last	1d Change
Aluminium	16,255	16,245	40
Copper	60,850	60,710	930
Zinc	16,155	16,210	260

COMEX active month future prices

Metal	Open	Close	Change	Change (%)
Aluminium	Ali Mar'12	-	-	-
Copper	Cu Mar'12	390	388.00	-2.15
Zinc				

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	16,460	63,432	16,369	158,427	182,976	15,919	7.6240
3-month	17,361	66,177	17,191	164,613	188,527	16,651	7.7265

Energy

Energy futures pricing	Price	Change	Price	Change	Price	Change	Price	Change	Price	Change
	1 month		2 month		3 month		6 month		1 year	
Sing Gasoil (\$/bbl)	128.80	1.10	128.44	1.30	127.94	1.28	126.80	1.23	-	-
Gasoil 0.1% Rdam (\$/mt)	972.25	12.75	973.00	12.25	969.75	11.75	949.50	7.75	945.00	7.50
NWE CIF jet (\$/mt)	1,028.07	8.17	1,030.57	8.76	1,031.90	9.38	1,032.50	7.38	1,036.16	7.44
Singapore Kero (\$/bbl)	128.25	1.20	128.24	1.23	127.78	1.13	126.99	0.84	126.24	0.80
3.5% Rdam barges (\$/mt)	661.75	7.25	654.75	8.75	649.25	9.25	635.50	9.75	613.75	10.50
1% Fuel Oil FOB (\$/mt)	685.00	7.25	682.50	8.75	681.00	9.25	676.00	9.75		
Sing FO180 Cargo (\$/mt)	709.00	6.75	695.75	8.25	688.25	9.25	671.25	9.00		

Thermal coal	Q2-12		Q3-12		Q4-12		Cal 13		Cal 14	
API2 (CIF ARA)	105.70	0.05	108.95	0.15	112.50	0.50	116.50	0.50	121.20	0.50
API4 (FOB RBCT)	105.50	0.30	107.20	0.30	109.60	0.30	112.80	0.10	115.80	0.50

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months
Gold	0.54760	0.58800	0.61100	0.63140	0.65400
Silver	0.52000	0.45800	0.41600	0.39200	0.34800
USD Libor	0.26050	0.38600	0.52700	0.76850	1.08400

Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	56.48	1,726.64	1,689.40	1,679.41	1,654.08	1,706.00	1,747.00
Silver	55.98	33.46	32.02	31.83	35.02	33.07	34.00
Platinum	58.06	1,605.67	1,558.34	1,544.87	1,666.73	1,607.00	1,629.00
Palladium	57.14	694.35	674.74	642.18	702.79	697.0	709.0

Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Apr'12	Mar'12	Apr'12	Apr'12	Feb'12	Dec'12	Apr'12
Settlement	1,736.70	33,7050	703.00	1,631.90	1,739.00	4,294.00	1,733.20
Open Interest	433,372	103,409	20,112	44,695	3,856	121,888	1,630
Change in Open Interest	3,278	1,488	259	-48	0	325	5

Sources: Standard Bank; LME; Bloomberg

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