

Commodities

Commodities: Daily



Base metal premia - copper up, aluminium down

20 August 2013

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- Palladium is back below \$750. We maintain that adding longs above \$750 would hold little value. As far as platinum and palladium are concerned, we look to the July Swiss Customs data due for release on Thursday.
- The TSI Fe 62% China CFR price index fell 20 cents (0.1%) to \$139/t (MTD: \$136.26/t). The Platts Fe 62% index fell 50 cents to \$136.50/t, while the TSI Fe 58% index traded flat at \$129.40/t. The Metal Bulletin Fe 62% index fell 97 cents to \$139.12/t, while its Fe 58% index fell 16 cents to \$121.51/t.

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Commodity price data (19 August 2013)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,943	1,915	1,949	1,910	-28	-1.44%	1,832.50	11	-47.45
Copper	7,384	7,306	7,403	7,291	-78	-1.06%	7,246.00	60	-23.25
Lead	2,250	2,250	2,257	2,228	0	0.00%	2,180.00	28	-11.75
Nickel	14,930	14,810	14,945	14,682	-120	-0.80%	14,775.00	325	-70.50
Tin	21,800	21,855	21,930	21,655	55	0.25%	22,105.00	-45	-24.00
Zinc	2,000	1,989	2,007	1,979	-12	-0.59%	1,908.00	3	-41.50

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	109.67	109.54	109.85	109.54	-0.36	-0.33%
NYMEX WTI	106.93	106.75	107.10	106.75	-0.35	-0.33%
ICE Gasoil	937.75	934.25	937.75	934.25	-8.00	-0.86%
API2 Q4'13	-	77.30	-	-	77.30	100.00%

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,325.75	1,341.00	1,384.00	1,373.00	1,365.00	-12.00	-1.1/-0.7
Silver	-	21.27	23.61	23.08	23.15	-0.11	-5.5/-3.5
Platinum	1,498.00	1,503.00	1,526.00	1,517.50	1,507.00	-18.50	+1.5/+3.5
Palladium	742.00	742.00	762.50	759.00	750.50	-12.00	+0.0/+1.0

Sources: Standard Bank Research; LME; BBG

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Focus: Base metal premia - copper up, aluminium down

Since the LME's July 1st announcement of measures to tackle long exit queues at various LME warehouses, aluminium physical premia have started to fall. The main weakness has been seen in Europe, though US premia have also started to weaken in recent weeks. By way of contrast, copper premia have continued to edge higher, even during a period of traditionally weaker demand and against a backdrop of generally improving mine supply.

The weakness in aluminium premia is to be expected as participants look towards the LME proposals, and indeed the level of regulatory and indeed public interest in the matter and assume some sort of progress will be made to address the queue issue. A hiatus in terms of warehouse incentives may well be pushing more production into the market, also bringing physical premia lower. We note however (again) that a resumption in rent-deal activity, perhaps ex-LME warehouse may well re-emerge in time and soak up much of the available metal units. This should limit the extent to which physical premia may ultimately fall.

In contrast, copper physical premia remain very strong indeed. While mine production has picked up, it seems that it is taking time for the increased concentrate production to feed through to the refined market. Given the tendency by some Chinese smelters to care more about the copper price than TC/RCs, arguably concentrate stocks may instead be being rebuilt while smelters undertake maintenance closures. Demand also seems to be stronger than anticipated (in relative terms at least) in places like China, a point reinforced by further anecdotal reports of draw-down's in Shanghai bonded inventory.

Whether copper premia remain elevated is still open to debate, with a recovery in domestic Chinese output likely to weigh on premia there. Nevertheless there still remain question marks over US premia owing to the continuing rehabilitation of Bingham Canyon, while strong European premia also suggest the market is also on the tight side should economic activity surprise on the upside there.

By Leon Westgate

Base metals

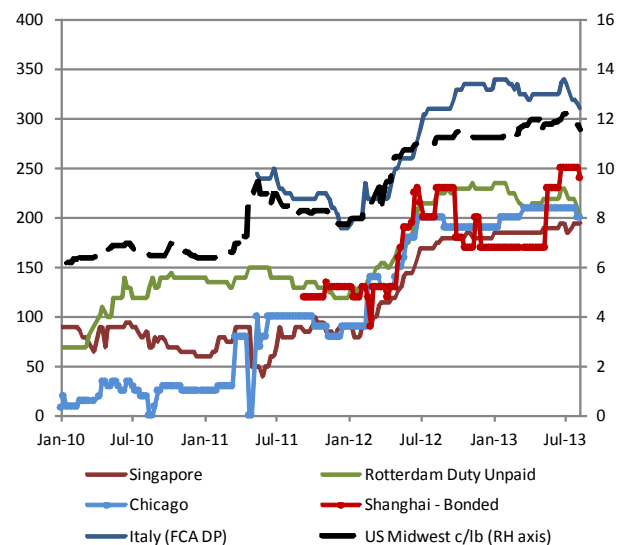
The base metals have had a mixed start to the day, coming under pressure initially before recovering into Tuesday afternoon on the back of a weaker dollar. Zinc turnover continues to be relatively strong with the metal trading down towards its 200-day MA before rebounding strongly again. Instead tin has grabbed the headlines with some wild swings in the nearby spreads.

Tin has been the most exciting metal this morning, with the tom/next spread trading out to \$109 backwardation from a valuation of \$0.56 backwardation overnight. Tightness in cash/Sept-13 has been a feature of the market for the past few days, indicating that there has been a short in the market that was being rolled forward. There was little to suggest however that such a large nearby backwardation was on the cards, or indeed justified, particularly given the lack of tightness in the physical market at the moment. This would suggest the position was speculative in nature and not linked (or able to be linked) to an underlying physical position. All of the nearby spreads have tightened up on the move as the market is now fully away of the size and scale of the short position, though a repeat of the shenanigans seen back in 2009 seems unlikely.

Nickel inventory surged 2,820 mt, mainly due to a 2,934 mt inflow at Rotterdam. Interestingly there was also a 1,932 mt jump in cancelled warrants in Antwerp. Unsurprisingly the INSG reported that nickel was in a surplus in June with production coming in at 157.2 kt while demand was 146.2 kt. Over the first 6 months of this year, the market has recorded a 74.2 kt surplus according to the study group.

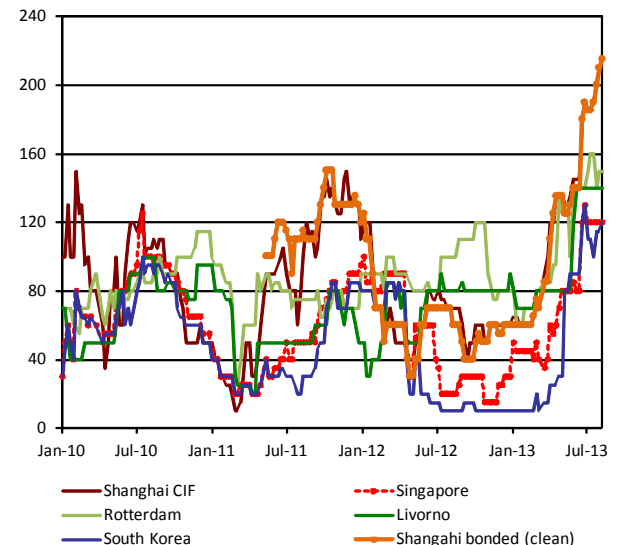
By Leon Westgate

Aluminium physical premia



Sources: Standard Bank; Fast Markets

Copper physical premia



Sources: Standard Bank; Fast Markets

Precious metals

Palladium is back below \$750. We maintain that adding longs above \$750 would hold little value. As far as platinum and palladium are concerned, we look to the July Swiss Customs data due for release on Thursday. In July, the platinum price traded mostly below \$1,450, and averaged \$1,404. At the same time, ETF holdings, driven by the launch of the South-African-based rand-denominated physically-backed ETF, rose by 469Kozs from 15 May to end-July. The Swiss data might provide an indication of how strong the demand response was with the platinum price below \$1,450 from areas other than investment demand. One would expect especially jewellery demand to have been relatively high during July, and, as a result, exports from Switzerland to China, too. If this was not the case, forthcoming demand may be weaker than we expect.

Gold is holding up well. As mentioned in yesterday's [Focus](#), the metal is testing its 100day MA at \$1,373. A close above this level, combined with ETF holdings that are steady and a physical market that is holding up relatively well despite the price rally, could possibly see the metal testing \$1,400 and even reaching higher soon. However, first the elusive speculative longs would have to enter the market.

That said, we still foresee an easing in physical demand with gold near \$1,370. The SGE premium was lower yet again this morning, coming in at \$18/oz, down from \$19/oz yesterday and \$22/oz last week.

The market will be scrutinising the minutes of the most recent FOMC meeting to determine not only the probability of the Fed tapering, but also the speed of such tapering. We factor in a strong possibility of tapering starting in September — the only question is around the speed.

Gold support is at \$1,370 and \$1,340. Resistance is at \$1,380 and \$1,400. Silver support is at \$23.00 and \$22.80, resistance is at \$23.50 and \$23.70.

By Walter de Wet

Bulks

Hebei's environmental authorities have issued two protection schemes designed to reduce the region's steel capacity by 60mt by 2017 and a further 26mt by end-2020; however, these are long-dated announcements, making it difficult to judge if they are tied to current efforts to starve the industry of electricity as a means of controlling short-term pollution levels. As a result, confusion remains about the outcome of last week's threats by authorities to cut electricity to 28mt of installed capacity with immediate effect — this latest announcement may be for officials to save face after last week's panic.

Shanghai Equities fell 0.62% to 2072 points. Everbright continues to trade lower on concerns over penalties for last week's trading errors.

Rail investments are likely to exceed RMB 660bln budgeted for 2013, helping rail stocks today, with funds focused on central and western developments. China may also add 1,000km of subways by 2015, needing RMB 600-700bln, about 50% of the country's total subway build over the past 40 years. Nine cities will gain subways for the first time, including Qingdao, Wuxi, Changzhou, Fuzhou, Dongguan, Zhengzhou, Changsha, Nanchang and Harbin. Shanghai's July mortgages totalled RMB 8.2bln, up from 6.39bln last July.

Shanghai 7-day interbank rates rose to 4.47%, even though the PBOC conducted RMB 36bln in 7-day reverse repos today. Governor Zhou said yesterday that China would maintain a prudent monetary policy, with indicators within expected ranges; growth robust and liquidity ample — implying that RRR cuts are not being planned at this stage for H2:13.

Shanghai Rebar Futures Oct-13 closed down RMB 5/t at RMB 3,653/t, while the Jan-14 contract (now the ACTIVE contract) closed off RMB 16/t at RMB 3,796/t, while Dazhong fell 1% / RMB 35/t. Among physical steels, Tangshan billet traded flat at RMB 3,200/t, while rebar traded unchanged in Beijing, but off RMB 10/t in Shanghai, following local inventory rises, up 2.3% to 323,300t, the first rise in 4 months. Overall, steel inventories in China continued to fall, off 0.7% or 100kt w/w across both flats and longs. BF utilisation rates are pinned by Mysteel at 92.41%, up 1.52% w/w.

HRC prices were unchanged in Beijing and Shanghai. Hebei Steel has increased its Sept list prices for HRC by RMB 150/t; while Angang has removed a RMB 30/t discount for its HRC shipments. Chinese crude steel for the 1st 10-days of August rose 2.69% p/p to 2.14mt/day, annualising to 781mt. CISA mill inventories fell 1.5% p/p to 12.16mt.

Among physical iron ore, no tenders were conducted; however, RioT is expecting to conduct a 165kt PB fines tender tomorrow. No trades were concluded on any of the platforms, with relatively wide bid-offer spreads being shown, given current de-stock & Tangshan uncertainties. PB fines on CBMX was at \$135-\$138.60/t. Port stocks were trading at RMB 950/t for PB fines. Chinese IO port stocks rose by 0.2% w/w.

The TSI Fe 62% China CFR price index fell 20 cents (0.1%) to \$139/t (MTD: \$136.26/t). The Platts Fe 62% index fell 50 cents to \$136.50/t, while the TSI Fe 58% index traded flat at \$129.40/t. The Metal Bulletin Fe 62% index fell 97 cents to \$139.12/t, while its Fe 58% index fell 16 cents to \$121.51/t.

In IO supply news, Vale says it is not interested in acquiring MMX's asset base. Sesa Goa has been restructured, potentially with a government stake sale in mind. BHPB's IO division produced 52% of the miner's EBIT in FY13, with IO output of 188mt expected in FY14, with Jimblebar to deliver first output in Q4, ahead of schedule, as the company gears up to 220mt of installed capacity. A further 50mt of capacity is to come from de-bottlenecking and expanding Jimblebar to 55mtpa. The company said its controllable costs have fallen by \$2.7bn over the year, with plans to "unlock more cash from installed capacity and higher returns from fewer incremental investments". BHPB capex is to drop by \$16.2bn in FY14. Arrium shipped 2.7mt of ore in Q2, up from 2mt in Q1, helped by the Whyalla port expansion, at an average price of \$104/t fob vs. \$114/t in Q1.

Port Hedland shipped 26.6mt in July, off from 27.7mt in June and 27.9mt in May. Walcott shipped 6.89mt in July, up from 5.4mt in June, while Dampier shipped 12.4mt in July, up from 11.1mt in June. Overall Australian ore shipments totalled 48.72mt in July, up 0.46mt from June. In India, Goa has submitted ground surveys for 92/118 mines in the region as part of the Shah Commission report, while illegal mining claims continue to be investigated.

The Baltic Exchange Cape index rose 6.9% to \$15,921/day, with C3 up 1.8% at \$21.235/t and C5 up 2.4% at \$9.132/t.

For Q4:13 thermal coal prices, API 2 is trading at \$77.10/t; API 4 is trading at \$75.70/t; while Newcastle is trading at \$80/t. The MV Smart carrying Anglo thermal coal has run aground in RBCT, splitting in two. All crew have been removed and port inflow-outflow operations are back to normal at this stage. It may take months to clear the cargo and years to remove the vessel, given its condition.

The Drummond strike continues, with the main union holding out for monthly, rather than hourly, wages. Both sides have now agreed to put negotiations over previous job losses before Colombia's labour courts.

Key Chinese coal suppliers, Shenhua and China Coal, are rumoured to be offering coastal plants CFR terms, while absorbing at least a portion of the domestic coastal freight costs, ranging from \$1.50-\$5/t, as the price/volume war continues. Shenhua is believed to be selling at a discount to the Bohai-rim price of RMB20/t, pushing the Qinhuangdao price lower also. The company's sales reportedly dropped to 33.1mt in July, off 27% m/m.

Coal of India's five unions are still proposing a 3-day strike from 23 September, which may assist Indian import restocking, post-Monsoon. Of late, interest has been limited, particularly given the falls in the Rupee suffered since late-July. India port stocks fell to 10.6mt w/w, off from 11.2mt previously, of which thermal amounted to 8.8mt, up 6.8% w/w.

China's coal output fell 3.5% y/y to 2.13bn, while sales fell 3.9% to 2.07bn. Imports increased by 14.1% to 187mt. BHPB Coal expects its FY14 thermal output to remain stable at 73mt, while its met coal output will rise 9% to 41mt (own interests). Newcastle shipped 13.6mt in July, down from 12.88mt in June. As a whole, China produced 297mt of coal in July, down from 334mt in June and 325mt in May. July YTD output reached 2.13bn, up 3.5% y/y, with many small mines closing due to pricing pressures.

Newcastle port shipped 2.39mt last week, off from 2.95mt the previous week. Yanzhou Australia is planning a 15% drop in FOB cash costs to under \$60/t by year-end, with recent AUD falls assisting. The company produced 8.7mt in H1:13, while taking impairment charges from its NSW Moolarben, Stratford and Duralie mines of A\$343m. The miner has appointed Reinhold Schmidt as its new CEO as of end-August, from being COO at Xstrata Coal Qld. Coalspur's Vista thermal mine in Alberta Canada continues to await the necessary mining permits to begin developments, with the aim of starting output in mid-2015.

Coking coal spot prices are trading in the \$138-144/t Qld FOB range. Uncertainty over domestic Chinese thermal price wars and steel price peaks is weighing on restocking momentum, although buyers are probably still slightly short material. Yanzhou and Heilongjian Longmay both lifted their HCC prices by RMB 30/t yesterday. Shanxi's next price move effective 6pm today is for a RMB 20/t increase to RMB 1150/t for its Tunlan HCC. Tangshan 1st grade physical coke prices rose RMB 20/t today. China's coke consumption reached 235mt in H1:13.

Aurizon hauled 193.7mt of coal in Qld across FY13, while expecting a 5% rise this coming year. BHPB Caval Ridge remains on track for first output in Cal-14. Haypoint shipped only 2.6mt in July, off from 4mt in June, due to port maintenance.

On the Dalian Exchange, Jan-14 coke traded up RMB 3/t d/d, while HCC prices closed up RMB 13/t d/d.

By Melinda Moore

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	5,443,050	5,438,675	10,175	5,800	4,375	233,000	2,054,600	37.75	267,251
Copper	577,450	584,075	100	6,725	-6,625	257,400	303,975	52.64	199,365
Lead	189,000	190,925	975	2,900	-1,925	-131,325	95,025	50.28	41,617
Nickel	205,758	206,118	0	360	-360	65,850	37,476	18.21	45,335
Tin	14,055	14,055	0	0	0	1,230	4,365	31.06	5,257
Zinc	1,034,700	1,037,275	0	2,575	-2,575	-186,050	603,075	58.29	119,602

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Change		Open	Close	Change	Change (%)
Aluminium	14,465	14,470	-50	Ali Sep'13	-	-	-	-
Copper	52,750	52,500	-500	Cu Sep'13	334	332.30	-1.30	-0.39%
Zinc	15,175	15,125	-75					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	18,637	73,692	22,171	150,262	224,808	19,404	10.1700
3-month	19,729	75,270	23,181	152,580	225,161	20,487	10.3025

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)	123.88	0.01	124.69	0.03	124.50	0.03	123.48	-0.04	121.89	0.14
Gasoil 0.1% Rdam (\$/mt)	934.25	-8.00	935.50	-7.50	933.50	-6.25	921.25	-5.25	897.25	0.00
NWE CIF jet (\$/mt)	997.63	0.41	1,008.51	0.97	1,008.36	0.75	1,003.05	-0.61	1,003.66	1.80
Singapore Kero (\$/bbl)	124.23	0.04	125.04	0.13	124.78	0.13	123.85	-0.02	120.12	0.02
3.5% Rdam barges (\$/mt)	598.91	-1.58	594.80	-4.01	592.35	-2.73	592.11	-1.05	584.87	-1.41
1% Fuel Oil FOB (\$/mt)	610.34	-1.41	617.80	-4.20	620.98	-3.04	623.61	-0.53		
Sing FO180 Cargo (\$/mt)	607.47	-2.68	614.30	-5.26	617.41	-3.64	618.61	-1.30		
Thermal coal	Q4-13		Q1-14		Q2-14		Cal 14		Cal 15	
API2 (CIF ARA)	77.30	77.30	80.15	80.15	82.30	82.30	83.40	83.40	89.40	89.40
API4 (FOB RBCT)	75.95	75.95	78.35	78.35	80.05	80.05	81.05	81.05	85.75	85.75

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	-0.11167	-0.09667	-0.08167	-0.00500	0.13667		
Silver	0.62000	0.61600	0.61800	0.61200	0.56800		
USD Libor	0.18406	0.22622	0.26410	0.39450	0.66760		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	49.77	1,312.11	1,315.12	1,383.26	1,522.15	1,375.23	1,384.20
Silver	51.57	20.17	20.05	22.31	26.67	23.26	23.66
Platinum	56.65	1,462.56	1,448.84	1,455.40	1,534.88	1,518.70	1,527.00
Palladium	52.93	732.49	736.30	718.96	715.07	759.65	763.45
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
	Dec'13	Sep'13	Oct'13	Oct'13	Oct'13	Jun'14	Dec'13
Settlement	1,334.20	21.2650	737.00	1,498.70	1,335.00	4,187.00	1,334.30
Open Interest	393,761	133,870	39,041	66,286	703	111,133	392
Change in Open Interest	-3,164	-155	205	-161	-118	1,495	0

Sources: Standard Bank; LME; Bloomberg

Bulks

Steel—Physical	Latest Price	Percentage change					
		1-day	1-week	1-month	3-month	6-month	1-year
Turkish Scrap 80:20 (Iskenderun CFR) \$/t	371.30	-	0.53%	3.14%	4.97%	-2.29%	-9.03%
China Tangshan Steel Billet \$/t	521.00	-	0.97%	3.17%	4.20%	-2.07%	4.20%
China HRC export (Shanghai FOB) \$/t	535.00	-	-	4.90%	0.94%	-11.28%	-3.25%
North Europe HRC domestic (ex-works) \$/t	445.00	-	-	3.49%	-2.73%	-11.44%	-11.00%
North America HRC domestic (Midwest FOB) \$/t	650.00	-	0.31%	0.93%	12.26%	6.04%	1.09%
Steel—Futures							
LME Billet Cash \$/t	146.00	-	4.29%	20.66%	3.55%	-48.32%	-59.95%
LME Billet Futures (1-mth) \$/t	146.00	-	3.00%	13.62%	-1.35%	-50.09%	-60.62%
LME Steel Billet Stocks—change	0.00	-	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	573.91	-0.26%	3.91%	-0.04%	2.00%	-8.35%	0.42%
Shanghai Rebar Futures O/W Stocks—change	3,221	-	-	-	-	-	-
SHFE Rebar - Open Interest	1,798	-	-	-	-	-	-
SHFE Rebar - Total Volume	532	-	-	-	-	-	-
China Steel Inventory (million tonnes)	14.69	-	-0.79%	-4.25%	-20.00%	-3.27%	-4.08%
Iron ore							
China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t	139.20	-	-1.83%	5.86%	13.17%	-12.40%	27.36%
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t	129.40	-	-0.46%	7.65%	13.51%	-9.89%	27.74%
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	136.08	-	-1.87%	7.57%	7.47%	-12.45%	24.47%
SGX AsiaClear IO Swaps 62% Fe—Open interest	35,029	-	-	-	-	-	-
China Iron Ore Inventory (million tonnes)	69.04	-	0.17%	-2.13%	0.83%	3.21%	-28.68%
Coking coal							
Premium Hard Coking Coal (Qld FOB) \$/t	137.50	-	-	-0.72%	-7.09%	-19.59%	-23.61%
Capesize freight							
Tubarao Brazil-Beilun China (C3)	-	-	-	-	-	-	-
Pilbara Australia-Qingdao China (C5)	-	-	-	-	-	-	-
Saldanha South Africa-Beilun China	15.95	-	10.76%	13.93%	22.69%	19.48%	27.60%
Tubarao Brazil to Rotterdam Europe	-	-	-	-	-	-	-
Saldanha South Africa-Rotterdam Europe	-	-	-	-	-	-	-
Financials pricing							
RMB Currency	6.1212	-0.02%	-0.01%	-0.33%	-0.29%	-1.87%	-3.74%
China 7-day repo	4.4300	6.0%	19.1%	16.6%	47.7%	50.2%	23.1%
Shanghai Equities Composite	2,087.2717	0.08%	-0.90%	4.12%	-9.25%	-12.93%	-0.93%

Sources: Standard Bank; LME; Bloomberg

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