

Commodities

Commodities: Daily



Copper - The inventory chess game continues

5 September 2013

Focus - LME copper inventory has climbed back above the 600 kt mark in the past few days with the locations of Johor and New Orleans accounting for pretty much all of the recent influx of units. Since August 23rd, headline inventory at New Orleans has climbed by 20.9kt to 206.9 kt, while Johor headline stocks have climbed by 21.7kt to 222.2 kt.

- With the G20 meeting in full swing, ongoing uncertainty around military intervention in Syria, and ahead of tomorrow's US Nonfarm Payroll data, the market is unsurprisingly sitting back and waiting to see what happens. The base metals have drifted sideways heading into Thursday afternoon amid generally thin volumes.
- Gold continues to struggle. Yesterday we pointed to weaker physical demand which may cap upside and as a result, from a tactical perspective one has to question the sustainability of a move in the gold price much higher without strong physical demand, especially with our view that US 10-year bond yield will move towards 4% over the next 12 months.
- Shanghai Equities fell 0.28% to 2122. Property stocks were initially stronger today, following news that land sales in Beijing and Shanghai have been strengthening, with land going for as much as RMB 73,000 per sq m in Beijing yesterday, then sold off on concerns such heat would bring further property controls. Shanghai 7-day interbank rates remained at 3.47% today.
- Shanghai Rebar Futures Oct-13 closed up RMB 2/t at RMB 3,551/t, while the Jan-14 contract (now the ACTIVE contract) closed off RMB 5/t at RMB 3,732/t.

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Commodity price data (4 September 2013)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,824	1,790	1,828	1,785	-35	-1.89%	1,744.50	-29	-47.75
Copper	7,245	7,124	7,253	7,087	-121	-1.67%	7,125.50	-58	-29.00
Lead	2,167	2,142	2,167	2,120	-25	-1.15%	2,122.00	-30	-14.00
Nickel	13,701	13,680	13,750	13,600	-21	-0.15%	13,540.00	-95	-76.50
Tin	21,500	21,875	21,900	21,401	375	1.74%	21,800.00	520	125.00
Zinc	1,910	1,874	1,910	1,864	-36	-1.87%	1,838.50	-30	-39.00

Energy

	Open	Close	High	Low	day/day	Change (%)
ICE Brent	114.95	115.01	115.25	114.82	0.10	0.09%
NYMEX WTI	107.59	107.34	107.59	107.24	0.11	0.10%
ICE Gasoil	959.75	959.00	960.75	959.00	-1.75	-0.18%
API2 Q4'13	-	77.65	-	-	77.65	-

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,403.75	1,390.00	1,402.00	1,401.00	1,384.80	-26.80	-0.4/0
Silver	-	23.18	23.75	23.40	23.40	-1.00	-2/0
Platinum	1,529.00	1,496.00	1,538.00	1,490.00	1,498.00	-38.65	+1.5/+3.5
Palladium	716.00	699.00	719.00	695.00	695.00	-23.25	+0.0/+1.0

Sources: Standard Bank Research; LME; BBG

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Copper - The inventory chess game continues

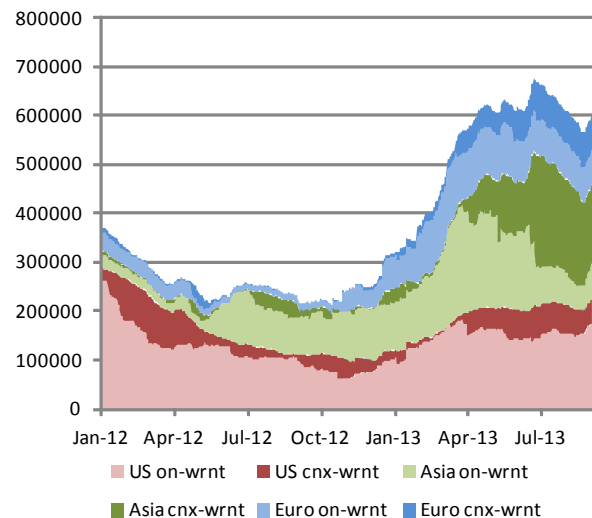
LME copper inventory has climbed back above the 600 kt mark in the past few days with the locations of Johor and New Orleans accounting for pretty much all of the recent influx of units. Since August 23rd, headline inventory at New Orleans has climbed by 20.9kt to 206.9 kt, while Johor headline stocks have climbed by 21.7kt to 222.2 kt.

In terms of the two locations it is the level of cancelled warrants where New Orleans and Johor differ, with cancelled warrants at New Orleans accounting for 21% of total inventory, while cancelled warrants at Johor stand at over 71% of the total. The absolute level of cancelled warrants at both locations has nevertheless tended to drift lower over the summer, with the aggressive cancelling of material seen in Johor back in late June not showing signs of being repeated just yet.

As to why inventory has started to pick up again, having been under pressure since late June isn't entirely clear. That said however, with Chinese bonded premia falling away in the past couple of weeks it suggests that bonded availability is increasing, something backed up by anecdotal reports that suggest bonded stockpiles have indeed been rebuilt over the past month or so and stand at the 400-450kt level. Faced with a softening in the premium, and coming out of the summer smelter maintenance shut-down period, it seems that material appears to have again been diverted to amenable warehouse locations.

It's worth noting that Johor, under the proposed LME rule changes targeting exit queues, is more or less at the optimal level from a warehouse perspective. There are queues, albeit not significantly above the proposed 100-day level where punitive action kicks in, while there is good two way flow of material. New Orleans does have queue issues with zinc, but it also remains the main copper hub in the US at the moment. The other LME

LME Copper regional inventory



Sources: LME, Standard Bank

locations in the US account for less than 6% of the total amount of copper sat in the US LME warehouse system.

As to where the copper has come from, given moderating Chinese exports, high levels of physical premia, decent physical demand, a narrowing in the SHFE-LME arbitrage window and subdued domestic refined production, the Johor material it is unlikely to have come from China. Instead, it is more likely to be Indian or perhaps even African in origin given the relative journey times. The New Orleans inflows are more likely to come from either domestic US or South American sources, with the interesting aspect there being how quickly Bingham Canyon gets back on its feet given a recovering US economy.

By Leon Westgate

Base metals

With the G20 meeting in full swing, ongoing uncertainty around military intervention in Syria, and ahead of tomorrow's US Non-farm Payroll data, the market is unsurprisingly sitting back and waiting to see what happens. The base metals have drifted sideways heading into Thursday afternoon amid generally thin volumes.

Copper fell sharply during Wednesday, however prices have stabilised pretty well, with the metal trading sideways around \$7,150 heading into Thursday afternoon. A key thing to note is that the recent LME weakness has seen the SHFE-LME arbitrage window narrow to only a \$2/mt loss (Cash basis assuming a \$180/mt Shanghai bonded premium). Meanwhile the domestic Chinese physical market remains well supported with copper trading at a 180 CNY premium against the September SHFE contract. In other news, Codelco workers at the relatively small Salvador mine are due to begin a strike following the breakdown of contract negotiations. Salvador produced around 63kt in 2012, with the real impact on the copper market from any strike being any spillover to other Codelco operations, or whether this is a sign of things to come on the run up to the November Chilean Presidential elections.

As noted yesterday (*Commodities Daily 04 September 2013*), Aluminium held onto technical trend-line support, with the metal continuing to dig its heels in during Thursday morning. Lead nickel and zinc have also stabilised, while tin continues to remain well supported following continued supply uncertainty from Indonesia. While most base metals are more or less unchanged heading into US trade, tin has rallied 1.5% and is trading back above \$22,000/mt.

By Leon Westgate

Precious metals

Yesterday reports emerged that two smaller gold producers in South Africa, Village Main and Evander Gold Mine, have settled their wage disputes with NUM, raising hopes that these two settlements may pave the way to end the gold mining strike which started earlier this week (and was anticipated to be an extended affair). The wage agreement between the mines and workers apparently ranges between 7.5% and 8% depending on the level of workers.

As pointed out, attention would now be on the rest of the gold mining sector for signs of potential wage settlements. However, there will also be a focus on what this entails for the possibility of wage settlements in the platinum sector. Looking at the platinum price's reaction following the reports about the settlements in the gold mining sector, it does appear that some market participants are looking for a wage settlement in the platinum sector that may be less disruptive to production than initially anticipated. The platinum price declined yesterday 2.4%, falling from \$1,538 to \$1,493 this morning. Tactically we continue to believe platinum should be bought on approach of \$1,400, rather than above \$1,500.

Gold continues to struggle. Yesterday we pointed to weaker physical demand which may cap upside and as a result, from a tactical perspective one has to question the sustainability of a move in the gold price much higher without strong physical demand, especially with our view that US 10-year bond yield will move towards 4% over the next 12 months. Arguably, gold has to move above its 200d MA (currently at \$1,494) to perhaps see momentum buyers entering the market again — this level is still a long way off. More tension in Syria may add upward pressure to gold if oil rises, but events around Syria is priced already and what is not priced, is largely speculation.

Platinum support is at \$1,490 and \$1,480. Resistance is at \$1,530 and \$1,546. Palladium support is at \$690 and resistance at \$700.

Gold support is at \$1,392 and \$1,372. Resistance is at \$1,412 and \$1,424. Silver support is at \$23.34 and \$23.00, resistance is at \$24.61 and \$24.96.

By Walter de Wet

Bulks

The G20 Summit begins today with Syria front and centre, heightening geo-political risks. Meanwhile back in the Middle Kingdom, the PBOC's deputy-governor warned that China's growth was still unbalanced, with systemic risks across credit and wealth management products remaining far too concentrated.

Shanghai Equities fell 0.28% to 2122. Property stocks were initially stronger today, following news that land sales in Beijing and Shanghai have been strengthening, with land going for as much as RMB 73,000 per sq m in Beijing yesterday, then sold off on concerns such heat would bring further property controls. Shanghai 7-day interbank rates remained at 3.47% today.

Shanghai Rebar Futures Oct-13 closed up RMB 2/t at RMB 3,551/t, while the Jan-14 contract (now the ACTIVE contract) closed off RMB 5/t at RMB 3,732/t. Dazong Nov-13 HRC futures closed off RMB 2/t to close at RMB 3,690/t.

Among physical steels, Tangshan billet dropped RMB 20/t today to RMB 3,170/t, as long product sentiment weakened again. Rebar prices fell RMB 10/t in Beijing and Shanghai while HRC prices fell RMB 10-20/t in the two cities.

Among physical iron ore, RioTinto's PB fines tenders (x2) saw drops of \$136.50/t, down from \$138.15/t yesterday, finally beginning to feel the weight of greater seaborne IO flows from Australian project ramp-ups from BHPB, RioT and FMG (amounting to a notional 60mtpa at max) – Chinese port stocks jumped by 2-3mt w/w. Vale has also been shipping more strongly over the past week. Following on, offers on globalORE began to shift down too, to as much as \$136.30/t.

On CBMX, a cargo of lump was offered at \$153/t CFR China, with the PB lump premium trading in the \$0.17-18/dmtu range. Cargill is believed to have shifted a cargo at a \$0.21/dmtu premia today, while a South African spot tender went at \$0.20/dmtu. This compares with the official Q3 premia negotiated in the \$0.13-14/dmtu range. We believe the recent pricing strength reflects the lack of seaborne pellet availability in ex-China markets, which has strengthened demand for lump this quarter, causing shortages in China.

The TSI Fe 62% China CFR price index fell 90 cents to \$137.10/t (MTD: \$138.13/t). The Platts Fe 62% index fell \$1/t to \$137/t (MTD: \$138.13/t), while the TSI Fe 58% index fell 70 cents to \$127.50/t. The Metal Bulletin Fe 62% index fell \$1.15/t to \$137.70/t, while its Fe 58% index fell \$1.65/t to \$118.88/t.

In IO supply news, Port Hedland shipped 27.4mt in August, up from 26.6mt in July; of this 22.3mt sailed to China, up 9% m/m from July's 20.42mt. Brazil exported 31.16mt of ore in August, compared to 29.69mt in July.

Gindalbie Karara is experiencing problems dealing with its slurry system, which will take 3 months to resolve, impacting concentrator output rates, reducing to just 1.5-2mt for H2:13, versus annual nameplate of 8mtpa. The company is seeking further working capital financing from Angang as a result. Its DSO shipments are expected to continue at the rate of 2mt however. Wuhan's Bong project in Liberia expected to begin shipping by year-end.

In Goa, all IO dumps need to apply for government approval or risk confiscation. It is believed as much as 2000 hectares of land are covered with stockpiled ore. NMDC is likely to keep its September prices stable.

MMX has sold its Chilean assets to local company Cooper Mining, with a 80 cent royalty per tonne shipped, if ever. Centrex and Wisco have delayed their JV in Eyre Peninsula due to changing market conditions. Shougang Peru has declared force majeure on cargoes due to protesting workers.

The Baltic Exchange Cape index rose a further 11% to \$19,811/t, with C3 rising to \$25.31/t and C5 at \$11/t, reflecting increased IO bookings from Australia and the longer Brazil route, even in the face of the Drummond strike action in Colombia. The rally continues to eat into bulk supplier realised margins.

For Q4:13 thermal coal prices, API 2 is trading at \$78.15/t; API 4 is trading at \$74.50/t; while Newcastle is trading at \$78.40/t. A floating Newcastle cargo is being offered at \$76/t. The Atlantic market awaits news of the Drummond end-strike vote today or tomorrow, while in the Pacific, coal workers in South Africa may strike, in line with their NUM gold brethren, who are yet to reach agreement on wages. Domestic Chinese coal appears to be transacting at RMB 520/t for 5500 NAR materials, below the official Bohai Index price by RMB 15-20/t.

South African coal exporters remain nervous that the Government will carry through its plans to name coal a "strategic" mineral, which could then make any exports subject to taxes.

Coking coal spot prices are trading strongly in the \$145-150/t Qld FOB range, although Chinese CFR pricing is in the \$160-163/t range, suggesting freight differentials are not necessarily holding, given the rally in Baltic of late. Poor weather is still impacting Haypoint/DBCT.

On the Dalian Exchange, Jan-14 coke traded up RMB 5/t d/d at RMB 1,614/t, while HCC prices closed up RMB 10/t d/d at RMB 1,163/t, resilient in the face of today's falling steel pricing.

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	5,386,625	5,389,175	900	3,450	-2,550	176,575	1,992,775	36.99	283,561
Copper	603,900	602,850	1,425	375	1,050	283,850	288,975	47.85	153,204
Lead	185,350	184,725	625	0	625	-134,975	79,775	43.04	69,632
Nickel	213,804	213,270	768	234	534	73,896	40,278	18.84	57,845
Tin	14,790	14,840	0	50	-50	1,965	4,375	29.58	10,833
Zinc	992,600	997,600	0	5,000	-5,000	-228,150	598,400	60.29	135,548

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Change		Open	Close	Change	Change (%)
Aluminium	14,230	14,205	-70	Ali Sep'13	-	-	-	-
Copper	51,950	51,660	-580	Cu Sep'13	324	323.90	-0.20	-0.06%
Zinc	14,735	14,700	-100					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	17,869	72,986	21,736	138,690	223,297	18,832	10.2430
3-month	18,580	73,967	22,240	142,037	227,124	19,457	10.3828

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)	126.05	0.17	126.14	0.24	125.75	0.20	124.22	0.01	121.59	-0.51
Gasoil 0.1% Rdam (\$/mt)	959.00	-1.75	959.50	-2.00	956.75	-1.75	943.00	1.00	904.25	-1.25
NWE CIF jet (\$/mt)	1,024.20	1.39	1,024.58	1.31	1,022.46	1.25	1,016.82	-7.51	1,016.82	-7.51
Singapore Kero (\$/bbl)	126.54	0.27	126.64	0.29	126.17	0.16	124.57	-0.05	120.60	-0.17
3.5% Rdam barges (\$/mt)	596.14	-1.78	597.02	-1.92	597.05	-1.91	599.40	-1.28	587.58	-0.73
1% Fuel Oil FOB (\$/mt)	618.56	-3.78	622.52	-3.17	625.49	-2.16	629.44	-1.22		
Sing FO180 Cargo (\$/mt)	615.81	-0.94	619.27	-1.23	621.24	-1.66	623.77	-1.41		
Thermal coal	Q4-13		Q1-14		Q2-14		Cal 14		Cal 15	
API2 (CIF ARA)	77.65	77.65	80.10	80.10	82.25	82.25	83.35	83.35	89.20	89.20
API4 (FOB RBCT)	74.20	74.20	77.15	77.15	79.30	79.30	80.25	80.25	85.10	85.10

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.00000	0.01200	0.02400	0.05800	0.16667		
Silver	0.62000	0.61600	0.61800	0.61200	0.56800		
USD Libor	0.18170	0.22446	0.25900	0.39240	0.66810		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	53.19	1,401.62	1,377.50	1,359.74	1,492.99	1,377.76	1,391.48
Silver	55.21	23.97	23.18	21.80	25.85	23.00	23.50
Platinum	51.59	1,523.81	1,518.52	1,456.06	1,530.19	1,487.32	1,498.82
Palladium	41.63	726.77	737.43	720.85	723.82	687.28	694.73
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	1,383.70	23.2700	690.65	1,494.70	1,382.40	4,439.00	1,390.10
Open Interest	388,584	115,644	35,316	66,585	682	112,982	393
Change in Open Interest	6,621	-2,271	-1,207	202	157	6,549	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	371.13	-	-0.51%	1.21%	10.09%	-5.32%	-6.75%
China Tangshan Steel Billet \$/t	518.00	-	0.97%	2.57%	9.51%	-0.19%	16.67%
China HRC export (Shanghai FOB) \$/t	553.00	-	2.41%	6.35%	8.43%	-8.29%	5.74%
North Europe HRC domestic (ex-works) \$/t	445.00	-	-	-	-1.66%	-11.44%	-8.25%
North America HRC domestic (Midwest FOB) \$/t	653.00	-	0.46%	0.46%	13.57%	8.11%	-1.51%
Steel—Futures							
LME Billet Cash \$/t	150.00	-	3.81%	22.20%	6.38%	-37.50%	-56.99%
LME Billet Futures (1-mth) \$/t	154.50	-	3.34%	21.18%	7.29%	-36.94%	-56.08%
LME Steel Billet Stocks—change	-520.00	-	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	556.69	-0.11%	-0.78%	0.84%	5.82%	-6.33%	3.91%
Shanghai Rebar Futures O/W Stocks—change	0	-	-	-	-	-	-
SHFE Rebar - Open Interest	1,680	-	-	-	-	-	-
SHFE Rebar - Total Volume	120	-	-	-	-	-	-
China Steel Inventory (million tonnes)	14.67	-	-0.13%	-2.08%	-16.03%	-26.84%	-0.09%
Iron ore							
China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t	138.00	-0.50%	-0.36%	5.99%	18.35%	-7.26%	58.80%
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t	128.20	-1.08%	-1.31%	6.92%	20.15%	-8.88%	60.65%
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	134.63	-	-1.71%	3.96%	13.55%	-5.47%	54.30%
SGX AsiaClear IO Swaps 62% Fe—Open interest	33,515	-	-	-	-	-	-
China Iron Ore Inventory (million tonnes)	72.75	-	5.80%	3.06%	2.87%	5.59%	-24.46%
Coking coal							
Premium Hard Coking Coal (Qld FOB) \$/t	142.00	-	-	3.27%	-	-16.96%	-17.68%
Capesize freight							
Tubarao Brazil-Beilun China (C3)	-	-	-	-	-	-	-
Pilbara Australia-Qingdao China (C5)	-	-	-	-	-	-	-
Saldanha South Africa-Beilun China	17.40	-	3.88%	19.18%	33.85%	33.85%	37.01%
Tubarao Brazil to Rotterdam Europe	-	-	-	-	-	-	-
Saldanha South Africa-Rotterdam Europe	-	-	-	-	-	-	-
Financials pricing							
RMB Currency	6.1190	-0.02%	-0.01%	-0.09%	-0.16%	-1.70%	-3.60%
China 7-day repo	3.4900	-8.9%	-18.6%	-19.6%	-28.8%	-18.8%	40.2%
Shanghai Equities Composite	2,127.6177	0.21%	1.25%	3.76%	-6.37%	-6.41%	4.11%

Sources: Standard Bank; LME; Bloomberg

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