

Commodities

Commodities: Daily



16 September 2013

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- The base metals are seeming to lack an identity of their own at the moment and are instead trying to second guess how various factors like Fed tapering may be interpreted by other markets, and then what that reaction might mean for base metal prices, rather than more fundamental drivers.
- Gold is trading back around Friday afternoon's levels, though not before prices surged up towards \$1,335 as shorts ran for cover. Overall however, gold is still trading quite heavily ahead of the FOMC, something reinforced by the latest CFTC data, suggesting further long liquidation took place. Meanwhile, after a period of stability, Gold ETF holdings have staged a further decline over the past couple of days.
- Among physical steels, Tangshan billet rose RMB 10/t over the weekend to RMB 3,080/t, although failing to raise sentiment elsewhere. Rebar prices fell RMB 40/t in Beijing and RMB 10/t in Shanghai. Among physical iron ore, platforms were quiet, with no bids registered on CMBX and PB fines offers stuck at \$136/t, while on global-IORE offers dropped to \$132.50/t for Fe 62% fines materials, with bids of \$129/t only.

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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	1,810	1,790	1,813	1,787	-20	-1.09%			
Copper	7,056	7,041	7,097	7,024	-15	-0.21%			
Lead	2,126	2,071	2,126	2,074	-55	-2.58%			
Nickel	13,835	13,875	13,875	13,630	40	0.29%			
Tin	22,400	22,850	22,800	22,205	450	2.01%			
Zinc	1,878	1,869	1,888	1,865	-9	-0.45%			

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	111.25	109.66	111.49	108.73	-2.04	-1.86%	-	-	-
NYMEX WTI	107.50	106.90	108.00	106.48	-1.31	-1.23%	-	-	-
ICE Gasoil	949.00	943.25	954.75	936.25	-6.50	-0.69%	-	-	-
API2 Q4'13	-	79.30	-	-	0.55	-	-	-	-

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold			1,323.30	1,309.00	1,309.00	-54.20	-0.4/0
Silver			21.96	21.67	21.70	-1.43	-2/0
Platinum			1,446.00	1,435.00	1,441.00	-31.00	+1.5/+3.5

Sources: Standard Bank Research; LME; BBG

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Base metals

With the market still on edge ahead of the FOMC meeting tomorrow and Wednesday, the metals have continue to see rather choppy trading, with exogenous factors such as Larry Summers pulling out of the running to be the next Fed Chairman, and the agreement between the US and Russia for a 9-month plan to destroy Syria's chemical weapons arsenal, adding to the uncertainty. The base metals are seeming to lack an identity of their own at the moment and are instead trying to second guess how various factors like Fed tapering may be interpreted by other markets, and then what that reaction might mean for base metal prices, rather than more fundamental drivers.

Copper has traded sideways into Monday afternoon, albeit in a fairly board range. The main thing to note however is that the SHFE-LME copper arbitrage window opened properly, yielding a \$14/mt profit (cash basis and assuming a \$180/mt bonded premium). Premia should be the main beneficiary, though prices will likely also find some support too. The key will be whether this can be sustained beyond the mid-Autumn and National Day Holidays. Meanwhile, copper TC/RCs have meanwhile reached triple digits, with spot fees in Asia reportedly being heard as high as \$100/mt and 10¢/lb. The fees reflect plentiful concentrate sloshing around the system, at least relative to smelting capacity,, with the pace at which the material is processed into refined metal remaining the most important factor as far as prices and indeed physical premia are concerned.

After pretty quiet overnight session, aluminium has come back under pressure heading into US trade and is again trading below \$1,800. LME on-warrant inventory climbed 19,625 mt, following a 19,625 mt inflow at Detroit. Interestingly however, and in view of the LME proposed rule changes to tackle warehouse queues, in spite of the large inflow this morning, inflows at Detroit have been 35,900 mt since the beginning of August, or only around 1,090 mt/day.

Tin has remained steady, hanging onto Friday afternoon's gain. Worth noting however is fluctuations in LME inventory, with on-warrant stocks climbing a net 675 mt today. While 390 mt was due to fresh inflows of metal, mainly in Johor and to a lesser extent Singapore and Port Klang, the rest was due to previously cancelled material being placed back on-warrant. This may be due to the proximity of the September prompt date, however it also doesn't smack of a metal in panic about availability following export disruptions in Indonesia. The nearby spreads have also eased significantly in the past week or so, to the extent that if anything the market is a little too relaxed. As noted in previous reports, the September Indonesian export figures will be very closely watched indeed.

By Leon Westgate

Precious Metals

Gold is trading back around Friday afternoon's levels, though not before prices surged up towards \$1,335 as shorts ran for cover. Overall however, gold is still trading quite heavily ahead of the FOMC, something reinforced by the latest CFTC data, suggesting further long liquidation took place. Meanwhile, after a period of stability, Gold ETF holdings have staged a further decline over the past couple of days.

Larry Summers pulled out of the race to be next Fed Chairman, with the news helping the dollar to weaken and perhaps sparking the initial rally in gold overnight. Meanwhile, with military action looking less likely in Syria, the focus has switched back to the FOMC meeting, though the US debt ceiling issue is still rumbling on with the mid-October deadline now only a few weeks away.

Platinum if anything it trading more line one of the LME metals, grinding sideways to lower while attention remains focused elsewhere and in the absence of any new news regarding South African strikes and disruption. Palladium meanwhile continues to trade on its own, climbing above the \$705/oz mark this morning and trading sideways into US trade.

By Leon Westgate

Bulks

It is relatively quiet in China today with the mid-autumn festival fast approaching this Thursday, impacting trading sentiment, together with weaker underlying demand conditions, following August's strong restock.

Markets generally will be watching the next US FOMC announcement due on Wednesday, to see what bond purchase tapering the Fed will implement and exactly when (71% of analysts expect the tapering to begin this month, of up to 10bln /month). Meanwhile Syrian tensions continue to ease, with the UN due to release its report on the 21 August attack in Damascus today in a closed session of the Security Council, and US Secretary of State sitting down with his Russian counterparty in Geneva

for 3 days of talks on a framework agreement to secure and destroy Syria's arsenal of weaponry – with its full inventory to be submitted within a week; inspectors to be on the ground by November and all weapons destroyed/removed by mid-2014. There are some concerns however that the weapons are already on the move to neighbouring countries.

Shanghai Equities fell 0.22% to 2231 points today, with consumer, IT and health up and financials/industrials down on the day. Shanghai 7-day interbank rates fell to 3.48%, back below our 3.5% threshold.

Shanghai Rebar Futures Oct-13 closed off RMB 7/t at RMB 3,515/t, while the Jan-14 active contract closed off RMB 10/t at RMB 3,647/t. Dazong HRC Nov-13 futures rose RMB 13/t to close at RMB 3,597/t.

Among physical steels, Tangshan billet rose RMB 10/t over the weekend to RMB 3,080/t, although failing to raise sentiment elsewhere. Rebar prices fell RMB 40/t in Beijing and RMB 10/t in Shanghai. HRC fell RMB 10/t in Shanghai and Beijing. Sanming and Xinyu Steel have dropped their Rebar list prices by RMB 40-110/t, as spot prices continue to fall back from recent highs above RMB 3800/t.

Korea's Hyundai has blown in its 3rd blast 4mtpa Dangjin blast furnace taking its total capacity to 24mtpa, including 12mt of BF capacity. Italy's Riva has switched off all its 7 EAF operations, only keeping Taranto ILVA running, following government seizure of assets / bank account holdings.

Among physical iron ore, platforms were quiet, with no bids registered on CMBX and PB fines offers stuck at \$136/t, while on globalORE offers dropped to \$132.50/t for Fe 62% fines materials, with bids of \$129/t only. FMG special fines traded on Rizhao at RMB 840/t. Port stocks traded on par to slightly lower (-RMB 5/t) than Friday. RioT is believed to have cancelled its Palabora Fe 64% tender, while Vale sold a Urucum Fe 63.67% fines small Oct-13 cargo at \$ 136/t (Silica 3.93%; alumina 2.46%), highlighting weaker market conditions.

The TSI Fe 62% China CFR price index fell 40 cents to \$134.10/t (MTD: \$135.95/t). The Platts Fe 62% index fell \$1.50/t to \$133/t, while the TSI Fe 58% index was flat at \$123.60/t (MTD: \$126.10/t). The Metal Bulletin Fe 62% index fell \$2.92/t to \$133.52/t, while its Fe 58% index fell \$3.98/t to \$115.64/t.

In IO supply news, Aquila is searching for alternative partners for its \$7bln 30mtpa West Pilbara IO project, after failing to agree on a budget with AMCI. FMG is being forced to carry 3rd party ore (eg Brockman) on its rail, at a rate of 55 cents-\$2/t only, as a result of a WA Government Economics Regulator judgement, substantially reducing the NPV of its infrastructure.

MMX holds a total of \$2.5bln in debt on its B/S which Trafigura and Mubadala will be asked to assume as part of their 65% \$400m new share acquisition contemplation of Sudeste Port, with possible ore blending opportunities being considered. MMX is expecting a trading margin of up to \$20-25/t. The port has been delayed to end of 1H for completion, with 2014 shipment estimates still being revised, while 35mt is expected for 2015 and 45mt in 2016, including 12mt from Usiminas.

Venezuela's industry ministry is tendering FMO lump, sinter feed and DRI closing on 17 Sept. Tom Albanese has become Chairman of Vedanta Resources. NMDC is discussing building a 450km slurry pipeline from Chhattisgarh to Visag to feed a 10mtpa pellet plant by 2016. A Roy Hills ed at \$257m mine-port rail contract has been awarded to John Holland by Samsung.

The Baltic Exchange Cape index rose 1.4% to \$30,200/day, with C3 at \$29.78/t and C5 at \$11.99/t.

For Q4:13 thermal coal prices, API 2 is trading at \$78.90/t; API 4 is trading at \$75.30/t; while Newcastle is trading at \$78.45/t, all lower than Friday. Drummond has recommenced mining at its Colombian thermal operations on the night shift of 14 September, having been under strike since 23 July, after the Government Ministry of Labour upheld the worker vote as legal. For API2, all eyes will be on the German elections next Sunday, and the part the Green Party will play. Although Merkel is expected to win but not enough for outright control.

For API4, eyes are on freight rate and rupee falls, as well as the outcome of Coal of India's strike negotiations and an end to Chinese power plant destocking – which is unlikely to be finalised until mid-October. The Daqin railway maintenance from 5-19 October, directly after the Chinese holidays, will reduce service levels by 4 hrs per day, or c.0.25mt/day.

Chinese domestic coal remains cheaper into South China than imports by c.50 cents, partly due to recent freight rallies, with Australian high ash 5500kc nar trading \$78/t. Stock levels are still falling, as power plants continue their mid-season destock momentum, causing price weakness, with piles off 3% w/w at Guangzhou.

Indian wholesale price inflation for August rose 6.1% y/y in August, up from 5.8% in July and above expectations, while likely to rise in coming months, due to the impact on import prices from the falling rupee. India's CPI was up 9.5% y/y in August, giving the government little room for rate cuts or other monetary policy manoeuvres, despite IP falling to 2.6% y/y.

Japan closed the Kansai #4 nuclear unit over the weekend, the last operating plant in the country. Although nuclear units are

expected to recommence next year after inspections are completed, many government officials remain wary of any restarts. This trend mainly helps gas, rather than coal imported demand however.

Bandanna says the FOB costs of its Spingsure Creek deposit (6310kc in-situ; 10% ash; 0.25% Sulphur), to ship from the new Gladstone Wiggins Island terminal from mid-2015, will be \$65/t, ex-royalties, which may make profitability difficult at current thermal prices.

Coking coal spot prices are trading in the \$148-152/t Qld FOB range, and \$166-169/t China CFR. Chinese stockpiles have risen c.3% w/w for coking coal and as much as 11% for Lianyungang coke stockpiles. Port Kembla has been closed due to high winds/rising swells, in the face of localised thunderstorms for the next day or so.

On the Dalian Exchange, Jan-14 coke traded off RMB 8/t to RMB 1,566/t d/d, while HCC prices closed up RMB 1/t d/d at RMB 1,134/t. In HCC swaps, an Oct-Nov bid has appeared in the market at \$160/t for 6kt.

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	5,360,375	5,348,325	19,625	7,575	12,050	150,325	1,945,650	36.30	223,817
Copper	574,675	577,525	2,500	5,350	-2,850	254,625	276,700	48.15	146,816
Lead	231,225	231,675	575	1,025	-450	-89,100	71,850	31.07	69,569
Nickel	217,002	217,422	0	420	-420	77,094	44,406	20.46	72,361
Tin	14,280	14,190	390	300	90	1,455	2,040	14.29	12,462
Zinc	980,100	983,075	0	2,975	-2,975	-240,650	602,025	61.42	118,021

Shanghai 3-month forward prices				COMEX active month future prices					
Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)	
Aluminium	14,250	14,245	0	Ali Sep'13	-	-	-	-	-
Copper	51,700	51,510	180	Cu Sep'13	320	321.35	1.00	0.31%	
Zinc	14,750	14,685	-30						

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash							9.9776
3-month	18,100	71,196	20,941	140,298	231,050	18,899	10.1116

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)	124.63	-0.09	124.17	-0.32	123.81	-0.38	122.22	-0.49	120.39	0.52
Gasoil 0.1% Rdam (\$/mt)	943.25	-6.50	938.25	-7.00	931.50	-7.00	914.50	-5.75	889.00	-2.50
NWE CIF jet (\$/mt)	1,015.54	-1.23	1,012.62	-2.85	1,007.33	-4.75	1,004.90	4.65	967.33	-5.67
Singapore Kero (\$/bbl)	125.07	-0.27	124.47	-0.62	124.21	-0.58	122.66	-0.55	119.08	-0.65
3.5% Rdam barges (\$/mt)	598.22	1.12	597.42	2.45	596.43	1.63	596.93	0.34	584.13	-1.56
1% Fuel Oil FOB (\$/mt)	624.17	-0.15	623.85	0.13	625.56	0.58	627.66	-0.33		
Sing FO180 Cargo (\$/mt)	614.65	1.51	617.48	2.51	619.06	1.76	620.80	0.83		
Thermal coal	Q4 13		Q1 14		Q2 14		Cal 14		Cal 15	
API2 (CIF ARA)	79.30	0.55	81.45	0.40	83.60	0.30	84.70	0.30	91.00	0.40
API4 (FOB RBCT)	75.20	0.10	78.70	0.45	81.00	0.55	81.85	0.45	87.00	0.40

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.03250	0.04800	0.06000	0.08800	0.17800		
Silver	0.62000	0.61600	0.61800	0.61200	0.56800		
USD Libor	0.18020	0.22246	0.25390	0.38340	0.66360		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold						1,308.99	1,331.87
Silver						21.68	22.29
Platinum						1,440.23	1,457.33
Palladium						701.85	712.85
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD

Settlement

Open Interest	382,364	111,834	34,481	62,291	1,072	104,803	393
Change in Open Interest	-1,800	-442	-33	-932	239	1,276	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	357.02	-	-3.80%	-3.85%	6.58%	-10.13%	-4.73%
China Tangshan Steel Billet \$/t	502.00	0.40%	-2.14%	-4.74%	5.02%	-2.52%	3.51%
China HRC export (Shanghai FOB) \$/t	555.00	-	0.36%	3.74%	9.90%	-8.72%	8.82%
North Europe HRC domestic (ex-works) \$/t	460.00	-	2.22%	3.37%	5.14%	-8.46%	-5.15%
North America HRC domestic (Midwest FOB) \$/t	650.00	-	-0.61%	-	7.62%	4.84%	-0.91%
Steel—Futures							
LME Billet Cash \$/t	180.00	-	16.13%	23.08%	36.36%	-19.28%	-42.81%
LME Billet Futures (1-mth) \$/t	181.00	-	15.29%	23.55%	37.12%	-18.83%	-42.49%
LME Steel Billet Stocks—change	0.00	-	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	553.73	-0.17%	-0.63%	-3.39%	5.65%	-9.10%	3.01%
Shanghai Rebar Futures O/W Stocks—change	0	-	-	-	-	-	-
SHFE Rebar - Open Interest	1,680	-	-	-	-	-	-
SHFE Rebar - Total Volume	-	-	-	-	-	-	-
China Steel Inventory (million tonnes)	14.53	-	-0.21%	-1.14%	-14.28%	-30.14%	5.09%
Iron ore							
China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t	134.50	-	-0.22%	-2.47%	16.96%	-0.07%	27.97%
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t	123.60	-	-1.51%	-4.48%	19.42%	-1.90%	31.91%
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	134.08	-	-0.45%	-1.59%	15.68%	-3.83%	34.98%
SGX AsiaClear IO Swaps 62% Fe—Open interest	39,922	-	-	-	-	-	-
China Iron Ore Inventory (million tonnes)	71.63	-	-	3.75%	1.52%	6.53%	-23.73%
Coking coal							
Premium Hard Coking Coal (Qld FOB) \$/t	149.05	-	-	6.85%	8.01%	-11.80%	-10.75%
Capesize freight							
Tubarao Brazil-Beilun China (C3)	-	-	-	-	-	-	-
Pilbara Australia-Qingdao China (C5)	-	-	-	-	-	-	-
Saldanha South Africa-Beilun China	18.50	-	-	28.47%	40.68%	39.62%	45.67%
Tubarao Brazil to Rotterdam Europe	-	-	-	-	-	-	-
Saldanha South Africa-Rotterdam Europe	-	-	-	-	-	-	-
Financials pricing							
RMB Currency	6.1202	0.02%	-0.01%	0.10%	-0.07%	-1.52%	-3.12%
China 7-day repo	3.4800	-3.1%	-2.5%	-9.1%	-50.3%	58.2%	7.4%
Shanghai Equities Composite	2,231.4014	-0.22%	0.85%	7.88%	3.49%	-0.38%	7.36%

Sources: Standard Bank; LME; Bloomberg

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