

Commodities

Commodities: Daily



Focus: China Pt and Pd imports heading lower

25 September 2013

Last week, Swiss customs data was released, with not much about which to get overly optimistic regarding **platinum and palladium demand**. For some time now, our tactical view for platinum has remain unchanged: we see little value in being short platinum below \$1,400 and, above \$1,500, rallies may be more difficult to sustain. While the risk of supply disruptions remains large, one of our major concerns on the sustainability of a price rally above \$1,500 is that jewellery demand might fall away if the platinum price rises too far, and too long, above \$1,500.

- **Gold** continues to find resistance on rallies on approach of \$1,330. We continue to believe the market will look beyond the postponement of the Fed asset tapering, and many of the longs added since Thursday might exit the market.
- **Base metals** remain very quiet as the rally from last week continues to fade. With little follow-through buying, it appears as if the metals are likely to settle back within their recent ranges.
- **Bulks:** the TSI Fe 62% China CFR price index rose \$1.10/t to \$133.80/t. The Platts Fe 62% index fell 50 cents to \$132/t, while the TSI Fe 58% index rose 0.7% to \$123.80/t. The Metal Bulletin Fe 62% index rose \$1.72/t to \$135.61/t while its Fe 58% index rose \$1.65/t to \$118.22/t.

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Commodity price data (24 September 2013)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,802	1,796	1,808	1,792	-6	-0.33%	1,752.00	-2	-47.50
Copper	7,175	7,147	7,181	7,117	-28	-0.39%	7,155.00	15	-31.00
Lead	2,070	2,064	2,075	2,060	-6	-0.29%	2,042.50	-3	-29.75
Nickel	13,760	13,750	13,833	13,700	-10	-0.07%	13,725.00	45	-76.00
Tin	22,820	22,900	22,860	22,760	80	0.35%	23,000.00	75	-41.00
Zinc	1,883	1,875	1,884	1,866	-8	-0.42%	1,841.50	-4	-38.00

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	108.73	109.83	110.09	108.70	1.19	1.08%	-	-	-
NYMEX WTI	103.41	103.81	103.91	103.11	0.68	0.66%	-	-	-
ICE Gasoil	910.00	922.25	922.75	909.75	16.25	1.76%	-	-	-
API2 Q4'13	-	78.10	-	-	3.40	-	-	-	-

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,320.25	1,314.25	1,319.00	1,306.60	1,316.00	-10.60	-0.4/0
Silver	-	21.54	21.65	21.53	21.55	-0.28	-2/0
Platinum	1,430.00	1,422.00	1,430.00	0.00	1,430.00	7.00	+1.5/+3.5
Palladium	719.00	713.00	715.00	0.00	715.00	-1.00	+0.0/+1.0

Sources: Standard Bank Research; LME; BBG

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Focus — China Pt and Pd imports go lower

Last week, Swiss customs data was released, with not much about which to get overly optimistic regarding platinum and palladium demand (see [Focus](#) in *Commodities Daily* 23 September 2013). For some time now, our tactical view for platinum has remain unchanged: we see little value in being short platinum below \$1,400, and above \$1,500, rallies may be more difficult to sustain. While the risk of supply disruptions remains large, one of our major concerns on the sustainability of a price rally above \$1,500 is that jewellery demand might fall away if the platinum price rises too far, and too long, above \$1,500.

We also look at China import data. China is the dominant player in the platinum jewellery market, accounting for 70% of the world platinum jewellery demand. Jewellery demand constitutes around 30% of total platinum demand. The latest import data from China indicates that China's platinum imports declined 17.5% m/m in August to 237Kozs, following a 6.6% m/m in July when China imported 289Kozs. The m/m decline in platinum imports by China follows an average platinum price of \$1,500 in August, up from an average platinum price of \$1,405 in July.

We maintain that Chinese platinum imports have become increasingly sensitive to changes in the platinum price since 2012 (see *Commodities Daily* dated 21 August 2013). A comparison between platinum imports on a monthly basis vs. the platinum price also indicates price sensitivity ([Figure 1](#)).

The fact that imports seem more sensitive to prices since 2012 implies that China has undergone a cycle of stockpiling (over and above platinum consumed in jewellery, autocatalysts and other industrial demand) and that perhaps China is more content to buy platinum at low prices rather than at any price. This would be consistent with our estimates that China has accumulated 2.3mozs of platinum inventory since 2008 (see [Special Report titled PGM — much more than we thought](#) dated 26 June 2013).

We also note that palladium imports into China are down despite the fact that auto production continues to move up (although at a slower pace than before). China can get its metal from only three sources — imports, recycling, and inventory. Given that imports are lower, the data would suggest that China either has enough palladium inventory for the time being, or recycling in the country is higher than thought. Either way, import data suggests that China is consuming less metal than previous years relative to the number of autos produced. The China customs data would also be broadly consistent with the Swiss customs data which indi-

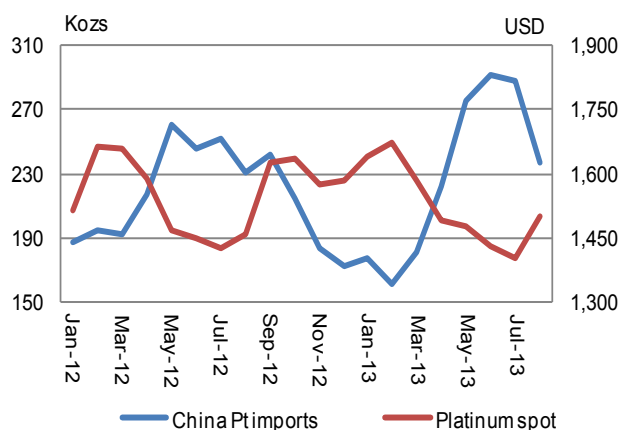
cates China's YTD palladium volumes from Switzerland are largely unchanged compared to levels seen in 2012.

What does this mean for our tactical view?

Supply shocks may push the platinum price higher, but we would view rallies as unsustainable in an environment of weak autocat demand and declining jewellery demand. From a tactical perspective, for now, rallies too far above \$1,500 are likely to create an opportunity to short platinum. For palladium, we believe that rallies above \$750 are unsustainable.

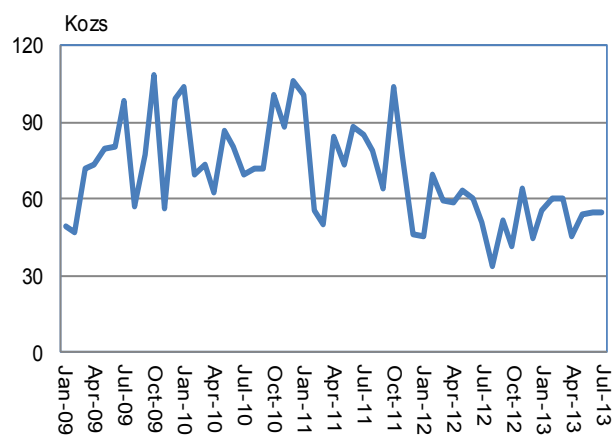
By Walter de Wet

China — platinum imports vs. price



Source: Standard Bank Research; China Customs

China — palladium imports



Source: China Customs

Base metals

Base metals remain very quiet as the rally from last week continues to fade. With little follow-through buying, it appears as if the metals are likely to settle back within their recent ranges. Perhaps the lack of direction is partly due to the conflicting signals in the macro data with the HSBC's flash PMI for China's manufacturing sector on Monday coming in at 51.2 points for September, up from 50.1 in August and above expectations, continuing to point to expansionary conditions. In contrast, the US equivalent index declined to 52.8, down from 53.1 in August and below expectations for a print of 54.

Nickel in particular is looking weak again, with the metal looking to test the trendline, going back to mid-July, which indicates support at the \$13,700 level. Open interest which has been declining fast over the past week would indicate that short-covering has taken place in the run-up to the Fed FOMC meeting last week. If most of the weak shorts have covered already, the metal may look to test the support at \$13,700 soon.

Elsewhere activity is very slow. With the arbitrage between Shanghai and LME attracting little buying and selling, the metal remains stuck just below the \$7,200 level. We expect technical selling on approach of \$7,400. Aluminium attempted to move above \$1,800, but resistance remains on approach of this level.

By Walter de Wet

Precious metals

Gold continues to find resistance on rallies on approach of \$1,330. We continue to believe the market will look beyond the postponement of the Fed asset tapering, and many of the longs added since Thursday might exit the market (see [Commodities Daily](#) 9 September). We continue to question the sustainability of longs entering the market because we expect US bond yields at similar levels by year-end irrespective of tapering starting now or later (i.e. in December). Therefore, from a purely Fed-action perspective, a delay in tapering might provide interim support for gold but, ultimately, one has to look beyond the exact timing of tapering to the actual outcome.

Platinum and palladium are finding marginal support from news that AMCU might start a strike at Anglo Platinum this Friday as they protest against the retrenchment of workers from the companies operations. However, as pointed out in the [Focus](#) section, while both metals may rally on such supply disruptions, we are questioning the sustainability of any rally in the absence of real demand.

Gold support is at \$1,309 and \$1,300. Resistance is at \$1,333 and \$1,343. Silver support is at \$21.34 and \$20.99, resistance is at \$22.03 and \$22.36.

By Walter de Wet

Bulks

The Shanghai Rebar Futures Jan-14 active contract closed down RMB 1/t at RMB3,626/t. Dazong HRC Dec-13 futures rose RMB 2/t to RMB 3,584/t.

Among physical steels, Tangshan billet fell up to RMB 10/t today to RMB 3,010/t. Yangang's weekly billet tender went for RMB 51/t lower w/w at RMB 3,017/t. Rebar prices fell RMB 10/t in Beijing; however, they remained flat in Shanghai. HRC prices remained steady in both Shanghai and Beijing in quiet trading.

Among physical iron ore, Vale sold its Fe 64.75 IOCJ cargo for \$146/t today via tender.

The TSI Fe 62% China CFR price index rose \$1.10/t to \$133.80/t. The Platts Fe 62% index fell 50 cents to \$132/t, while the TSI Fe 58% index rose 0.7% to \$123.80/t. The Metal Bulletin Fe 62% index rose \$1.72/t to \$135.61/t while its Fe 58% index rose \$1.65/t to \$118.22/t.

In IO supply news, Vale says China's outlook has improved better than expected, with construction strong. The miner expects to be producing 450mt by 2018, compared to 306m today, with S11D still slated to begin end-2016. Anglo says the sale of its Amapa project remains in progress. Angang Steel has sunk more funds (\$230m) into Gindalbie, taking its stake to 62%, following difficulties shipping ore due to concentrate plant failings.

The Baltic Exchange Cape index was up 5.5% at \$42,211/day, with C3 at \$30.65/t and C5 at \$13.76/t – both down a touch, with Q4 swaps beginning to fade today as well.

For Q4:13 thermal coal prices, API 2 is trading at \$81.65/t; API 4 is trading at \$77.50/t; while Newcastle is trading at \$81.25/t.

Coking coal spot prices are trading in the \$147-150/t Qld FOB range. In swaps there are bids for Oct+Nov at \$160/t as well as for Dec-Mar at \$160/t.

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	5,401,000	5,408,150	0	7,150	-7,150	190,950	1,913,200	35.42	206,956
Copper	547,550	551,050	0	3,500	-3,500	227,500	266,475	48.67	156,663
Lead	243,500	244,000	0	500	-500	-76,825	65,900	27.06	75,199
Nickel	225,426	222,012	3,474	60	3,414	85,518	45,990	20.40	76,782
Tin	13,625	13,765	0	140	-140	800	2,585	18.97	11,181
Zinc	975,100	974,100	4,200	3,200	1,000	-245,650	597,900	61.32	120,718

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)
Aluminium	14,170	14,195	0	Ali Sep'13	-	-	-	-
Copper	51,770	51,730	-210	Cu Sep'13	326	327.20	1.55	0.48%
Zinc	14,700	14,735	10					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	17,292	70,620	20,159	135,466	227,010	18,176	9.8700
3-month	17,951	71,434	20,630	137,431	228,886	18,741	9.9950

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)	123.28	-0.12	119.91	-0.64	119.48	-0.76	118.60	-0.70	117.98	-1.01
Gasoil 0.1% Rdam (\$/mt)	922.25	16.25	922.25	16.25	919.50	15.50	907.50	13.00	886.25	7.50
NWE CIF jet (\$/mt)	998.62	-1.58	970.17	-6.22	970.75	-5.92	976.29	-9.76	953.00	-4.33
Singapore Kero (\$/bbl)	123.66	-0.18	120.17	-0.83	119.93	-0.86	119.09	-0.70	117.08	-0.55
3.5% Rdam barges (\$/mt)	590.82	0.08	588.42	2.19	585.95	2.01	584.43	1.25	572.62	1.70
1% Fuel Oil FOB (\$/mt)	612.90	-1.75	606.86	-1.06	609.39	-0.92	613.37	0.53		
Sing FO180 Cargo (\$/mt)	609.52	-0.79	613.86	2.32	611.39	1.75	608.25	1.55		
Thermal coal	Q4 13		Q1 14		Q2 14		Cal 14		Cal 15	
API2 (CIF ARA)	78.10	3.40	80.55	2.55	82.70	2.55	83.90	2.45	90.05	3.50
API4 (FOB RBCT)	74.45	78.15	77.75	80.65	79.90	82.10	80.95	82.25	86.05	86.05

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.11167	0.11833	0.12667	0.15333	0.20000		
Silver	0.62000	0.61600	0.61800	0.61200	0.56800		
USD Libor	0.17905	0.21800	0.24760	0.36850	0.63310		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	45.87	1,329.17	1,358.28	1,344.09	1,467.95	1,311.34	1,327.44
Silver	47.11	22.03	22.83	21.60	25.13	21.43	21.78
Platinum	45.12	1,438.24	1,469.29	1,452.74	1,519.07	1,420.45	1,435.20
Palladium	49.60	712.15	708.28	723.59	724.86	716.95	721.80
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
Settlement	1,320.70	21.6450	719.55	1,422.10	1,320.70	4,202.00	1,316.50
Open Interest	378,751	111,998	35,367	60,011	988	100,090	394
Change in Open Interest	-3,613	164	886	-2,280	-84	-4,713	1

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	-	-	-3.85%	6.58%	-10.13%	-4.73%
China Tangshan Steel Billet \$/t	498.00	-	-0.40%	-4.41%	3.11%	-3.30%	-3.68%
China HRC export (Shanghai FOB) \$/t	550.00	-	-0.90%	2.42%	8.91%	-6.46%	7.42%
North Europe HRC domestic (ex-works) \$/t	460.00	-	-	3.37%	5.14%	-7.07%	-5.15%
North America HRC domestic (Midwest FOB) \$/t	645.00	-	-0.77%	-0.77%	5.74%	3.86%	-0.46%
Steel—Futures							
LME Billet Cash \$/t	197.00	-	9.44%	35.86%	60.16%	-11.66%	-42.57%
LME Billet Futures (1-mth) \$/t	208.00	-	14.92%	36.84%	61.24%	-9.57%	-40.06%
LME Steel Billet Stocks—change	-65.00	-	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	572.76	-	3.26%	-0.43%	6.20%	-6.60%	-0.67%
Shanghai Rebar Futures O/W Stocks—change	0	-	-	-	-	-	-
SHFE Rebar - Open Interest	-	-	-	-	-	-	-
SHFE Rebar - Total Volume	-	-	-	-	-	-	-
China Steel Inventory (million tonnes)	14.53	-	-	-1.14%	-14.28%	-30.14%	5.09%
Iron ore							
China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t	131.80	-	-2.01%	-5.18%	9.29%	-1.72%	20.81%
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t	122.10	-	-1.21%	-5.64%	12.12%	-2.63%	20.41%
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	134.25	-	0.13%	-1.20%	15.98%	-3.76%	35.16%
SGX AsiaClear IO Swaps 62% Fe—Open interest	41,248	-	-	-	-	-	-
China Iron Ore Inventory (million tonnes)	70.36	-	-	1.91%	-0.28%	4.64%	-25.09%
Coking coal							
Premium Hard Coking Coal (Qld FOB) \$/t	150.25	-	-	7.13%	8.88%	-11.09%	-8.38%
Capesize freight							
Tubarao Brazil-Beilun China (C3)	-	-	-	-	-	-	-
Pilbara Australia-Qingdao China (C5)	-	-	-	-	-	-	-
Saldanha South Africa-Beilun China	20.90	-	12.97%	31.03%	58.94%	57.74%	64.57%
Tubarao Brazil to Rotterdam Europe	-	-	-	-	-	-	-
Saldanha South Africa-Rotterdam Europe	-	-	-	-	-	-	-
Financials pricing							
RMB Currency	6.1205	-0.01%	0.03%	-0.07%	-0.13%	-1.47%	-2.90%
China 7-day repo	4.1500	-	15.6%	-7.2%	-62.9%	27.3%	6.4%
Shanghai Equities Composite	2,191.8508	-	-1.98%	5.75%	5.17%	-5.42%	8.25%

Sources: Standard Bank; LME; Bloomberg

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