

Commodities

Commodities: Daily



01 October 2013

- “Everything will be ok in the end....” is certainly how the metal markets are behaving in the immediate wake of the US government shutdown last night. The main question is how long it takes to get to the “end” and how much damage to the US economy is incurred in the process? The impasse that led to the shutdown remains a concern, particularly on the run up to the US debt-ceiling finale around October 17th, with sentiment likely to deteriorate rapidly the longer the shutdown goes on.
- China's manufacturing PMI rose slightly, to 51.1 from 51.0 albeit coming in below consensus expectations of 51.6. With the HSBC version also running out of puff, the interesting thing to look for will be whether the Chinese economy pushes on into Q4, or merely starts to stabilise following the recent government mini-stimulus.
- The US Federal government will start to shut down some services in an orderly fashion following the failure to approve a short term budget. The next date the market will now focus on will be 17 October. The US Treasury indicated that they would be able to fund spending until at least 17 October after which the Treasury is likely to hit the debt ceiling and would be unable to borrow further. So far, gold has failed to benefit from the uncertainty despite a weaker dollar - this is not a bullish signal.

Strategists

Walter de Wet, CFA*

Walter.DeWet@standardbank.com
+27-11-3787236

Leon Westgate*

Leon.Westgate@standardbank.com
+44-20-31456822

Melinda Moore*

Melinda.Moore@standardbank.com
+44-20-31456887

Commodity price data (27 September 2013)

Base metals LME 3-month

	Open	Close	High	Low	Daily change	Change (%)	Cash Settle	Change in cash settle	Cash - 3m
Aluminium	1,834	1,845	1,860	1,830	11	0.60%	1,789.50	28	-46.00
Copper	7,270	7,302	7,330	7,254	32	0.44%	7,252.50	32	-15.50
Lead	2,098	2,117	2,121	2,091	19	0.91%	2,083.00	22	-25.50
Nickel	13,950	13,955	14,068	13,898	5	0.04%	13,885.00	105	-68.00
Tin	23,300	23,350	23,500	23,200	50	0.21%	23,450.00	150	-41.00
Zinc	1,900	1,918	1,930	1,899	18	0.95%	1,880.00	20	-35.60

Energy

	Open	Close	High	Low	day/day	Change (%)	ATM 1m vol	ATM 6m vol	ATM 1y vol
ICE Brent	108.38	107.94	108.41	107.60	-0.43	-0.40%	-	-	-
NYMEX WTI	102.31	102.17	102.42	101.84	-0.16	-0.16%	-	-	-
ICE Gasoil	915.00	911.75	915.00	909.75	-1.25	-0.14%	-	-	-
API2 Q4'13	-	81.15	-	-	-0.55	-	-	-	-

	AM Fix	PM Fix	High bid	Low offer	Closing bid	Change (d/d)	EFP's
Gold	1,335.75	1,341.00	1,338.60	1,323.00	1,338.60	-24.60	0.10/0.50
Silver	-	21.72	22.06	21.46	21.70	-1.43	1.50/3.50
Platinum	1,422.00	1,416.00	1,423.00	1,414.00	1,420.50	-51.50	+1.5/+3.5
Palladium	730.00	725.00	733.00	725.00	730.00	40.00	+0.0/+1.0

Sources: Standard Bank Research; LME; BBG

Please refer to the disclaimer at the end of this document *This document is not investment research, as it has not been prepared in accordance with the requirements designed to promote the independence of research. It therefore constitutes a “marketing communication” as defined by the UK FCA Handbook, and must not be considered a Research Report under US or any other regulatory regime. U.S. Disclosure: Standard Bank Group Limited does and seeks to do business with companies covered in its reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Base metals

"Everything will be ok in the end...." is certainly how the metal markets are behaving in the immediate wake of the US government shutdown last night. The main question is how long it takes to get to the "end" and how much damage to the US economy is incurred in the process? The impasse that led to the shutdown remains a concern, particularly on the run up to the US debt-ceiling finale around October 17th, with sentiment likely to deteriorate rapidly the longer the shutdown goes on.

Most of the base metals rallied initially during the course of Tuesday morning, albeit on relatively thin trading volumes. The exception was lead, with a sustained and heavy burst of selling activity occurring around 8am, when the rest of the complex started to rally. The base metals have subsequently run out of steam as the morning has progressed and are giving up their early gains heading into the first LME ring session. With China on holiday, it's worth noting that copper volumes on LME Select are trailing zinc, aluminium and lead turnover heading into the mid-morning as ratio trades emerge in the absence of any fundamental drivers.

In other news, China's manufacturing PMI rose slightly, to 51.1 from 51.0 albeit coming in below consensus expectations of 51.6. With the HSBC version also running out of puff, the interesting thing to look for will be whether the economy pushes on into Q4, or merely starts to stabilise following the recent government mini-stimulus.

While lead has come under heavy selling pressure during Tuesday morning, zinc prices rallied during the same period before finally being pegged back. Zinc remains the busiest of the metals on LME Select heading into the afternoon. Inventory-wise, LME on-warrant inventory surged higher, with a 60,675 mt delivery into New Orleans responsible for the increase in zinc stocks this morning. In other news, reports suggest that Noble Group Ltd has been selected by Nyrstar NV to market part of the producer's European output. The deal, reportedly covering 200ktpa of refined zinc, sees Noble replace a previous deal with Glencore that ends this year.

Tin has been rather neglected, drifting lower heading into Tuesday afternoon. The main focus has instead been LME inventories with on-warrant stocks falling 1,090 mt or 9.6% to 10,220 mt. The main reason was a jump in cancelled warrants in Johor (+685 mt) and Port Klang (+255 mt). Obviously, given recent LME stock behaviour, this material may be delivered back on-warrant, though given the ongoing issues regarding Indonesian tin availability, and a 200 mt outflow of previously cancelled material at Johor this morning, the cancellations may also reflect concern over tin availability over the balance of this year.

By Leon Westgate

Precious Metals

The US Federal government will start to shut down some services in an orderly fashion following the failure to approve a short term budget. The next date the market will now focus on will be 17 October. The US Treasury indicated that they would be able to fund spending until at least 17 October after which the Treasury is likely to hit the debt ceiling and would be unable to borrow further. So far, gold has failed to benefit from the uncertainty despite a weaker dollar - this is not a bullish signal.

The dollar is weaker, closing in on the 1.36 level against the euro. However it is not enough to push gold through the \$1,340/1,350 resistance level. With China heading for an extended holiday over the next week or so, physical demand may also provide less support, especially when the gold price dips lower. And even if there is physical demand, we would expect physical demand to start falling away as gold moves closer to \$1,400.

As a result we still believe that when the US government eventually come to some agreement on spending, gold is likely to give up any gains made from the current fiscal policy uncertainty.

Platinum is drifting lower despite the ongoing strikes at AngloPlatinum. While mine production will be affected, flow of metal to the market is unlikely to be affected just yet. Indications are that mines have built some stockpiles in order ensure metal availability. Our tactical view remains unchanged with our preferred trading range between \$1,400 and \$1,500. Palladium provides little value above \$750.

Based on our tactical view, we believe platinum is starting to show value relative to palladium. However, given all the uncertainty surrounding the US budget, buying is likely to remain absent for the time being and there may be a bit more downside in platinum in coming days.

By Walter de Wet

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	5,374,550	5,381,000	0	6,450	-6,450	164,500	1,887,350	35.12	214,170
Copper	533,325	538,025	600	5,300	-4,700	213,275	266,700	50.01	145,311
Lead	239,350	239,850	0	500	-500	-80,975	61,625	25.75	49,599
Nickel	227,004	226,068	996	60	936	87,096	45,354	19.98	47,104
Tin	13,240	13,415	50	225	-175	415	3,020	22.81	7,752
Zinc	1,024,025	966,425	60,675	3,075	57,600	-196,725	587,875	57.41	102,765

Shanghai 3-month forward prices

COMEX active month future prices

Metal	Open	Last	1d Chnge		Open	Close	Change	Change (%)
Aluminium	14,290	14,285	30	Ali Sep'13	-	-	-	-
Copper	52,360	52,570	240	Cu Sep'13	332	331.35	-0.95	-0.29%
Zinc	14,785	14,815	60					

ZAR metal prices

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	ZAR/USD fix
Cash	18,038	73,105	20,997	139,961	236,376	18,950	10.0800
3-month	18,847	74,590	21,625	142,550	238,520	19,592	10.2150

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)	120.96	-1.60	120.21	-1.71	119.80	-1.69	118.50	-1.50	118.95	0.49
Gasoil 0.1% Rdam (\$/mt)	911.75	-1.25	911.00	-1.00	907.50	-0.75	897.25	0.25	880.75	1.25
NWE CIF jet (\$/mt)	975.89	-14.32	974.46	-14.04	973.45	-13.35	985.55	3.74	952.01	-8.31
Singapore Kero (\$/bbl)	120.73	-1.77	120.48	-1.77	120.26	-1.69	118.98	-1.45	117.19	-1.12
3.5% Rdam barges (\$/mt)	590.58	1.67	586.34	1.55	583.28	1.60	580.87	1.71	567.49	1.54
1% Fuel Oil FOB (\$/mt)	605.85	1.44	607.87	1.27	610.50	1.69	610.21	1.55		
Sing FO180 Cargo (\$/mt)	620.20	3.79	614.72	2.99	611.13	2.57	606.12	1.96		
Thermal coal	Q4 13		Q1 14		Q2 14		Cal 14		Cal 15	
API2 (CIF ARA)	81.15	-0.55	79.85	-1.05	82.10	-0.80	83.20	-0.85	89.85	-0.55
API4 (FOB RBCT)	79.70	1.40	80.30	-0.05	81.60	0.05	82.35	0.05	86.55	-0.10

Precious metals

Forwards (%)	1 month	2 months	3 months	6 months	12 months		
Gold	0.11250	0.12250	0.12750	0.14500	0.20000		
Silver	0.62000	0.61600	0.61800	0.61200	0.56800		
USD Libor	0.17885	0.21650	0.24885	0.36850	0.62940		
Technical Indicators	30-day RSI	10-day MA	20-day MA	100-day MA	200-day MA	Support	Resistance
Gold	48.24	1,334.46	1,349.27	1,340.86	1,463.21	1,325.64	1,338.18
Silver	47.83	22.00	22.53	21.55	25.01	21.61	21.95
Platinum	44.61	1,430.84	1,453.81	1,450.43	1,516.93	1,396.90	1,414.75
Palladium	51.77	721.09	708.84	724.08	725.47	722.20	729.20
Active Month Future	COMEX GLD	COMEX SLV	NYMEX PAL	NYMEX PLAT	DGCX GLD	TOCOM GLD	CBOT GLD
Settlement	1,337.00	21.7400	729.30	1,419.20	1,336.30	4,214.00	1,338.70
Open Interest	367,704	114,422	35,278	59,145	429	104,509	390
Change in Open Interest	-16,460	2,146	764	-4,078	-404	982	-3

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 (Iskinderun CFR) \$/t	357.27	-	1.69%	-3.73%	1.34%	-8.76%	-2.21%
China Tangshan Steel Billet \$/t	495.00	-	0.41%	-4.44%	-2.37%	-4.07%	-1.20%
China HRC export (Shanghai FOB) \$/t	550.00	-	-	1.85%	10.00%	-5.17%	6.59%
North Europe HRC domestic (ex-works) \$/t	455.00	-	-1.09%	2.25%	4.00%	-7.61%	-6.19%
North America HRC domestic (Midwest FOB) \$/t	636.00	-	-0.93%	-2.60%	1.76%	2.91%	2.58%
Steel—Futures							
LME Billet Cash \$/t	210.00	-	5.00%	50.00%	66.67%	9.09%	-39.04%
LME Billet Futures (1-mth) \$/t	214.00	-	3.88%	47.59%	62.12%	9.04%	-38.37%
LME Steel Billet Stocks—change	-2,015.00	-	-	-	-	-	-
Shanghai Rebar Futures (Active contract) \$/t	563.60	-	-1.57%	-0.61%	9.31%	-3.65%	-3.42%
Shanghai Rebar Futures O/W Stocks—change	2,345	-	-	-	-	-	-
SHFE Rebar - Open Interest	#N/A N/A	-	-	-	-	-	-
SHFE Rebar - Total Volume	#N/A N/A	-	-	-	-	-	-
China Steel Inventory (million tonnes)	14.44	-	-0.59%	-1.56%	-11.56%	-30.50%	12.15%
Iron ore							
China Iron Ore Fines (62% Fe; CFR Tianjin) \$/t	131.40	-	-0.98%	-5.26%	12.40%	-4.30%	26.10%
China Iron Ore Fines (58% Fe; CFR Tianjin) \$/t	122.00	-	-0.81%	-5.94%	11.72%	-4.09%	24.11%
SGX AsiaClear IO Swaps 62% Fe \$/t (1-mth)	134.19	-	-0.04%	-1.19%	14.94%	0.52%	26.50%
SGX AsiaClear IO Swaps 62% Fe—Open interest	35,894	-	-	-	-	-	-
China Iron Ore Inventory (million tonnes)	70.08	-	0.39%	-3.67%	-1.97%	2.98%	-24.29%
Coking coal							
Premium Hard Coking Coal (Qld FOB) \$/t	151.05	-	-	3.99%	9.46%	-10.62%	-4.40%
Capesize freight							
Tubarao Brazil-Beilun China (C3)	-	-	-	-	-	-	-
Pilbara Australia-Qingdao China (C5)	-	-	-	-	-	-	-
Saldanha South Africa-Beilun China	22.50	-	-2.60%	29.31%	48.51%	69.17%	55.17%
Tubarao Brazil to Rotterdam Europe	-	-	-	-	-	-	-
Saldanha South Africa-Rotterdam Europe	-	-	-	-	-	-	-
Financials pricing							
RMB Currency	6.1216	0.01%	0.04%	0.03%	-0.19%	-1.40%	-2.60%
China 7-day repo	4.2500	-	-5.6%	13.3%	-22.0%	24.6%	25.0%
Shanghai Equities Composite	2,174.6648	-	-1.49%	3.63%	8.99%	-2.67%	4.24%

Sources: Standard Bank; LME; Bloomberg

Disclaimer

THIS COMMUNICATION MAY CONTAIN RESEARCH. SUCH RESEARCH IS A MARKETING COMMUNICATION:

It is not investment research as it is not the result of financial analysis and has not been prepared in accordance with legal requirements designed to promote investment research independence.

Additional information with respect to any security referred to herein may be made available on request. This material is for the general information of institutional and market professionals' clients of Standard Bank Group (SBG) only. Recipients who are not market professionals or institutional investor customers of SBG should seek advice of their independent financial advisor prior to taking any investment decision based on this communication or for any necessary explanation of its content. It does not take into account the particular investment objectives, financial situation or needs of individual clients. Before acting on any advice or recommendations in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The information, tools and material presented in this marketing communication are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This material is based on information that we consider reliable, but SBG does not warrant or represent (expressly or impliedly) that it is accurate, complete, not misleading or as to its fitness for the purpose intended and it should not be relied upon as such. The information and opinions contained in this document were produced by SBG as per the date stated and may be subject to change without prior notification. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update the material in this report on a timely basis, but regulatory compliance or other reasons may prevent us from doing so.

SBG or its employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this material. Where SBG designates research material to be a "marketing communication", that term is used in SBG's Research Policy. This policy is available from the Research Compliance Office at SBG. SBG does and seeks to do business with companies covered in its research reports including Research Communications. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

SBG has published a Conflicts of Interest Policy that is available upon request which describes the organisational and administrative arrangements for the prevention and avoidance of conflicts of interest. Further disclosures required under the FCA Conduct of Business Sourcebook and other regulatory bodies are available on request from the Research Compliance Department and or Global Conflicts Control Room, unless otherwise stated, share prices provided within this material are as at the close of business on the day prior to the date of the material. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of SBG. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of SBG or its affiliates.

SBG believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in the other sections of this communication were obtained or derived from sources SBG believes are reliable, but SBG makes no representations as to their accuracy or completeness. Additional information is available upon request. SBG accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to SBG.

The services, securities and investments discussed in this material may not be available to nor suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and it should be noted that investment involves risk, including the risk of capital loss. Past performance is no guide to future performance. In relation to securities denominated in foreign currency, movements in exchange rates will have an effect on the value, either favourable or unfavourable. Some investments discussed in this marketing communication have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment, in such circumstances you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make them investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realize those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

This report is issued and distributed in Europe Standard Bank PLC, 20 Gresham Street, London EC2V 7JE which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority ("FCA"). This report is being distributed in the United States by Standard New York Securities (USA) LLC; in Kenya by CFC Stanbic Financial Services Ltd; in Nigeria by Stanbic IBTC; in Angola by Standard Bank de Angola S.A.; in Brazil by Banco Standard de Investimentos S.A.; in China by Standard Resources (China) Limited;; in Botswana by Stanbic Bank Botswana Limited; in Democratic Republic of Congo by Stanbic Bank Congo s.a.r.l.; in Ghana by Stanbic Bank Ghana Limited; in Isle of Man by Standard Bank Isle of Man Limited; in Jersey by Standard Bank Jersey Limited; in Madagascar by Union Commercial Bank S.A.; in Mozambique by Standard Bank s.a.r.l.; in Malawi by Standard Bank Limited; in Namibia by Standard Bank Namibia Limited; in Mauritius by Standard Bank (Mauritius) Limited; in Taiwan by The Standard Bank of South Africa; in Tanzania by Stanbic Bank Tanzania Limited; in Singapore by Standard Merchant Bank (Asia) Limited; in Swaziland by Standard Bank Swaziland Limited; in Zambia by Stanbic Bank Zambia Limited; in Zimbabwe by Stanbic Bank Zimbabwe Limited; in UAE by Standard Bank Plc – Dubai branch

In jurisdictions where SBG is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements.

Please note that this report was originally prepared by SBG for distribution to SBG market professionals and institutional investor customers. Recipients who are not market professionals or institutional investor customers of these firms should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the PRA or in respect of which the protections of the PRA for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report.

Standard Bank Group Ltd Reg.No. 1969/017128/06 is listed on the JSE Limited.

Copyright 2013 SBG. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Standard Bank Group Ltd.