

March 26th 2008

## Commodities struggle to regain traction

**Precious metals (page 2):** Volatility in global financial markets has persisted amid increased efforts by the Fed to inject liquidity into financial markets and ease the credit crunch. Subsequently, further signs of structural weakness in the US economy have redirected investment fund flows into the commodity complex. For now, the gold price appears well supported above \$930. Platinum remains well supported above \$1,930 amid ongoing power supply problems in South Africa. Palladium and rhodium prices have shadowed platinum.

**Base metals (page 5):** The long Easter weekend gave the metals valuable breathing space, forcing a break in the pattern of liquidation which saw all the commodities fall sharply. As a result, the easing of liquidity concerns over the weekend has seen this week start well, with base metals recovering some of their losses. After reaching an intraday low of \$7,611 during Thursday, copper prices recovered strongly on Tuesday, to close back above \$8,000 — at \$8,080. A combination of consumer buying and short covering saw aluminium close on Tuesday at \$2,906.

**Energy (page 13):** The combination of investor profit-taking, a recovery in the US dollar and lack of supply concerns has prompted a heavy sell-off in crude futures in a holiday-shortened week in both the US and UK. Last week's DOE inventory data showed a 3.2% year-on-year fall in total product demand (four-week average), while demand for distillate fuels such as diesel, jet fuel and heating oil fell by 5.4%.

**Trade ideas (page 21):** We will be tracking trade ideas on a weekly basis. We have included all trade ideas as from February 2008.

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## Precious metals — prices ease as risk aversion recedes

Volatility in global financial markets has persisted amid increased efforts by the Fed to inject liquidity into financial markets and ease the credit crunch. A raised JP Morgan counter-bid, from a \$2 to a \$10 all-share bid, for stricken Bear Stearns has limited downside risk in financial markets — boosting investor confidence and leading investors to diversify away from precious metals holdings due to decreased safe-haven demand. Equity markets rallied as the dollar recovered after the Fed cut its policy rate by less than expected. However, sentiment has waned as the US consumer confidence index fell to a 5-year low, with the January house price index falling 1.1%.

Further tightening in the credit market can be expected, at least in the near term, as liquidity hoarding has persisted in the inter-bank money markets in Europe and the US (LIBOR was set at 5.995%) despite the US cutting its Fed funds rate by 75 bps last week after lowering the discount rate by 25 bps in an emergency meeting — however, it must be noted that this could possibly be a result of the ECB's reluctance to follow the Fed's easing cycle.

Although investment grade credit spreads fell yesterday, with the CDX index declining 12 bps, indicating lower credit risk in the US, we believe that structural risks to the global financial system remain in place.

A wave of investors have liquidated out of long speculative positions last week with some bargain fund buying, lifting precious metal prices higher. However, further signs of structural weakness in the US economy have redirected investment fund flows into the commodity complex. Commodity price gains can be expected going forward amid increased volatility in financial markets. Further negative sentiment from the US should prompt further dollar weakness, which should raise investment demand for an alternative asset (commodities). Furthermore, this should raise inflation hedge demand into the commodity complex as dollar weakness pushes WTI crude oil prices higher (however, lower heating demand in the Northern Hemisphere ahead of spring presents a downside risk to crude prices). Excessive volatility in the commodity markets, which serves to raise investors' hedging costs, remains a primary concern.

### Gold

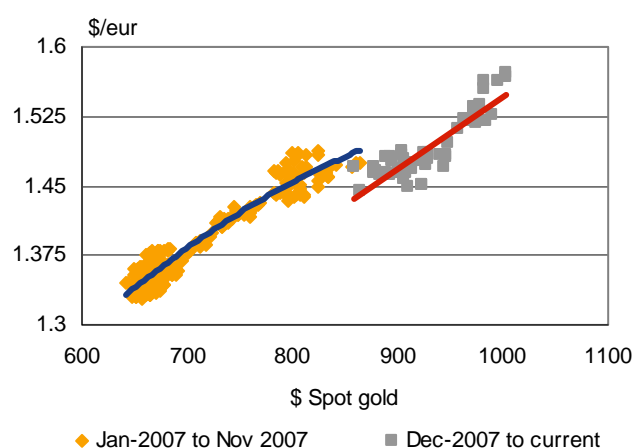
Gold has plummeted from a high of \$1,032 last week Monday following Bear Stearns demise, reaching a low of \$914.23 on Friday for the week as fund liquidation and thin trading volumes (ahead of the holiday weekend) fuelled downside momentum. Prices recovered yesterday aided by

dollar weakness and waning investor confidence in the US. For now, the gold price appears well supported above \$930. Movements in the dollar against the euro are critical direction indicators, as we have noted a structural break in the relationship between the dollar/euro exchange rate and gold spot prices (see figure below). The elasticity of gold price movements to changes in the dollar has increased — shifting from the previous trend, noted in previous reports, of diminishing sensitivity. Keep an eye on macroeconomic developments in the US.

### Platinum Group Metals

PGM's came under pressure this week as investors liquidated out of speculative long positions into US treasuries and equity markets. Platinum has shed 1.34% since last week Monday. However, prices remain well supported above \$1,930 due to uncertainty concerning power supply to mines in South Africa. Eskom, South Africa's power utility, has struggled to meet domestic power demand. 3000MW of power was shed last week following heavy down falls; further power supply problems can be expected ahead of winter in South Africa. Decreased power supply will worsen the global supply squeeze. Palladium and rhodium prices have shadowed platinum.

USD/euro against gold spot prices

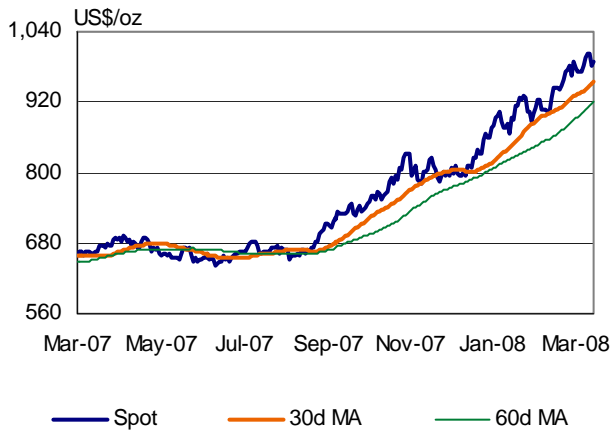


Source: Bloomberg



## Gold & silver

### Gold spot price



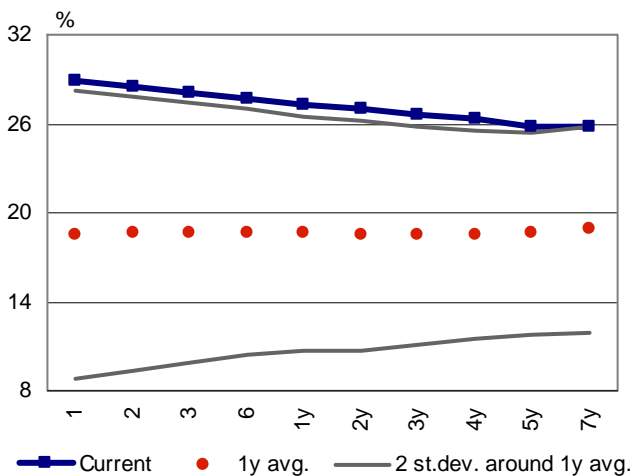
Sources: COMEX; Standard Bank Group

### Silver spot price



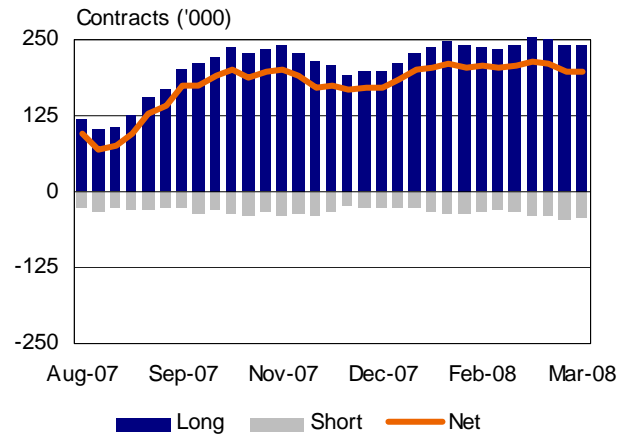
Sources: COMEX; Standard Bank Group

### ATM implied volatility



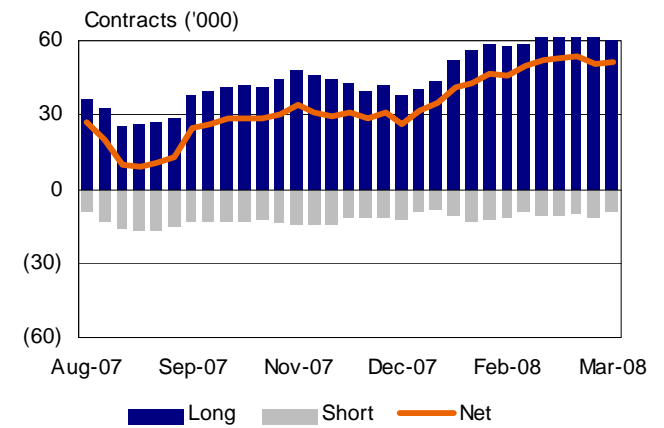
Sources: Bloomberg; Standard Bank Group

### Gold speculative positions (COMEX)



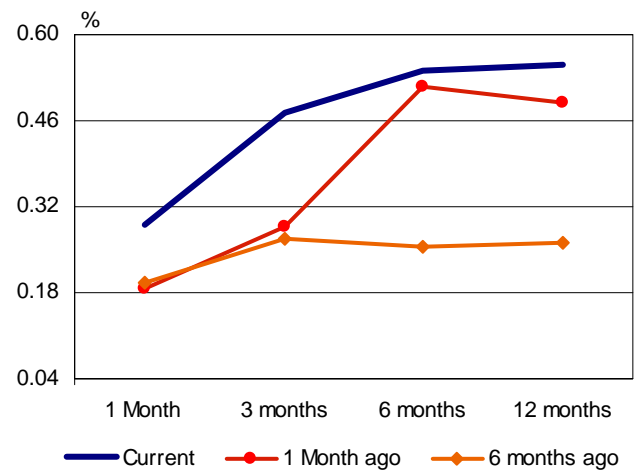
Sources: COMEX; Standard Bank Group

### Silver speculative positions (COMEX)



Sources: COMEX; Standard Bank Group

### Gold lease rates (LIBOR—GOFO)

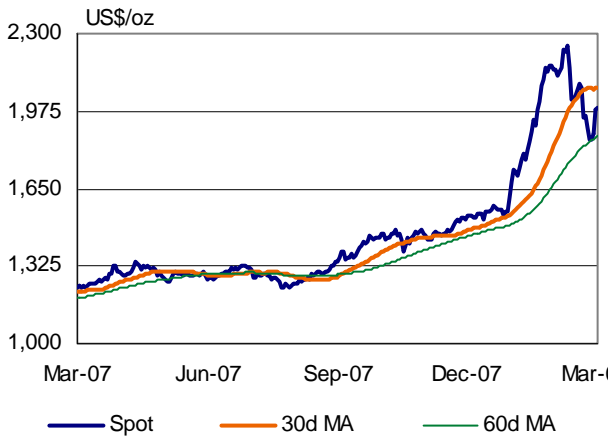


Sources: LBMA; Standard Bank Group



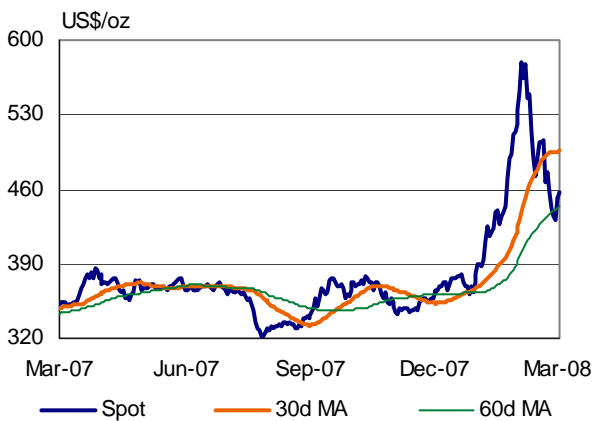
## Platinum Group Metals (PGM)

Platinum price movement



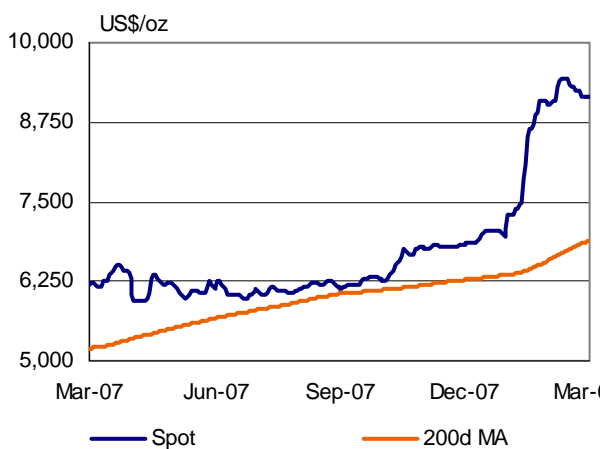
Sources: NYMEX; Standard Bank Group

Palladium price movement



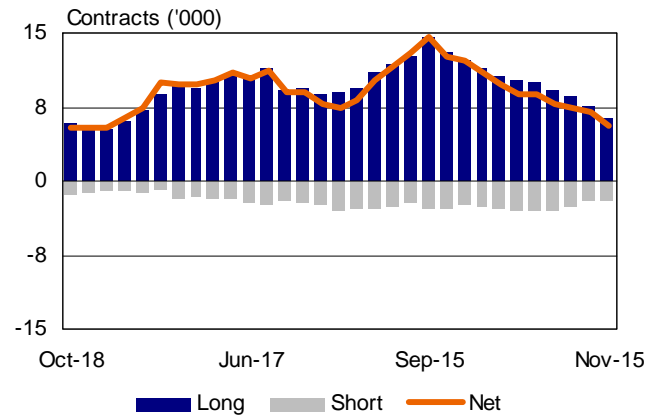
Sources: NYMEX; Standard Bank Group

Rhodium price movement



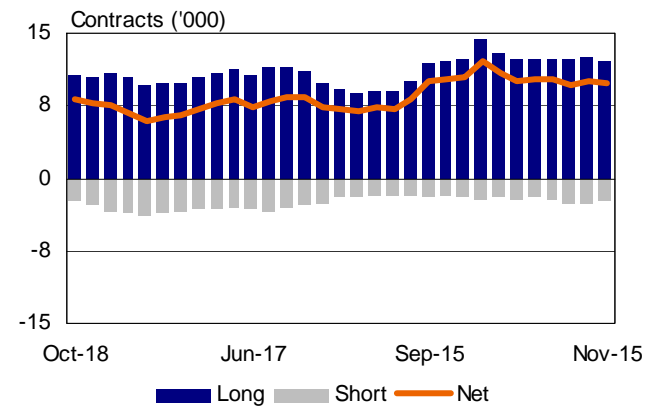
Source: Standard Bank Group

Platinum speculative positions (COMEX)



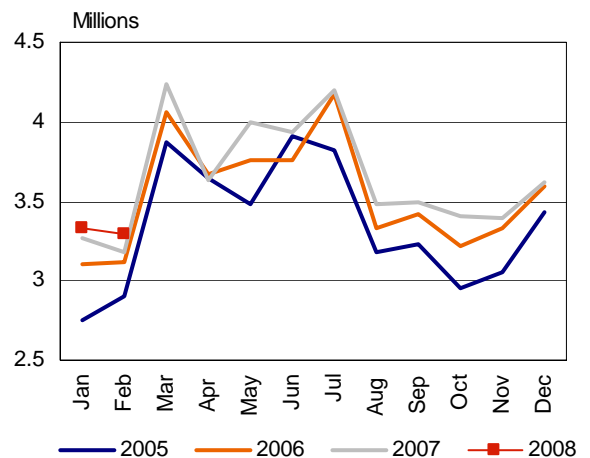
Sources: NYMEX; Standard Bank Group

Palladium speculative positions (COMEX)



Sources: NYMEX; Standard Bank Group

Auto sales (EU, US, Japan, South Korea, China)



Sources: Standard Bank Group, Bloomberg



## Base metals — a little breather

The long Easter weekend gave the metals valuable breathing space, forcing a break in the pattern of liquidation which saw all the commodities fall sharply. As a result, the easing of liquidity concerns over the weekend has seen this week start much more brightly, with base metals recovering some of their losses.

Given the extent of the declines last week, the market was almost certainly still positioned short at the start of the week. With several of the metals looking increasingly good value — or certainly better value at least — consumer buying made an appearance. Coupled with renewed US dollar weakness, the buying interest triggered bouts of short-covering, giving the complex some much needed upward momentum.

In order to determine prices' direction, it is perhaps best to recap. The metals rocketed higher at the beginning of February on the back of fresh inflows of money into commodities. Once that flow of money dried up, upward momentum was lost, with the market once again looking at the wider financial markets and the underlying supply demand fundamentals. The fall-out from the Bear Stearns rescue package and the subsequent liquidity fears saw weak longs exit positions, and triggered a wider bout of liquidation as investors fled to cash — either to fund margin calls elsewhere or to bolster their balance sheets.

In terms of price levels, most of the metals, with the exception of tin, are back where they were a month ago. In the case of lead and zinc, two of the metals hardest hit by the liquidation, prices are still towards the bottom end of their recent trading ranges.

Where next from now will likely depend on the wider financial markets and technical factors, at least until the fundamental demand picture becomes clear. Consequently, metals such as copper, with a firmer demand picture, will likely continue to outperform the likes of lead and zinc whose supply/demand picture is less positive. What will be interesting is whether the surge of fund money at the beginning of February and the beginning March will be repeated in April.

### Aluminium

Aluminium prices have rebounded well this week, reflecting the positive outlook for the metal. After reaching a low of \$2,805 during trading on Thursday, a combination of consumer buying and short-covering saw the metal close on Tuesday at \$2,906.

Elsewhere, BHP Billiton confirmed the timescale for the partial closure of its Bayside smelter. The closure of two

potlines will start on March 25th and take two months to run down.

### Copper

The red metal also rebounded very strongly once the urge to liquidate positions had passed. After reaching an intraday low of \$7,611 during Thursday, prices recovered strongly to close on Tuesday back above \$8,000 — at \$8,080.

The remarkable turnaround in prices is testament to the metals solidity, although it remains to be seen whether Chinese appetite for copper remains robust, given prices at these levels. While the latest import data was again encouraging, the figures are backward-looking. The impact of \$8,000+ copper and a new record high is yet to be reflected in the import data, with the response of Chinese consumers to these price increases key to understanding where “fair” value for the red metal now lies.

ENAMI, the Chilean State-owned company, has reportedly accumulated a 3.53 Mt stockpile of copper ore from small local mines. The company currently lacks sufficient capacity to process the material but is considering increasing capacity from 10,000 tpy to 25,000 tpy through a \$30 million investment. In the meantime, some material may be sold to its big brother Codelco.

### Tin

Tin prices remained pretty solid for most of last week, only dipping below the \$20,000 level as people exited positions ahead of the Easter weekend. Prices have since firmed up once again with the metal closing on Tuesday at \$20,000.

Falling LME inventory continues to lend support to prices, with tin stocks dropping below 9,000 mt on the 26th of March, reaching the lowest level since May last year. Falling inventory has helped to offset some of the recent bearish news regarding tin availability, namely the resumption of exports from PT Koba's operations. PT Koba, the Indonesian arm of Malaysian Smelting Corp, announced that it planned to ship 250 mt of tin to its warehouse in Singapore after being granted permission by the government to resume activities.

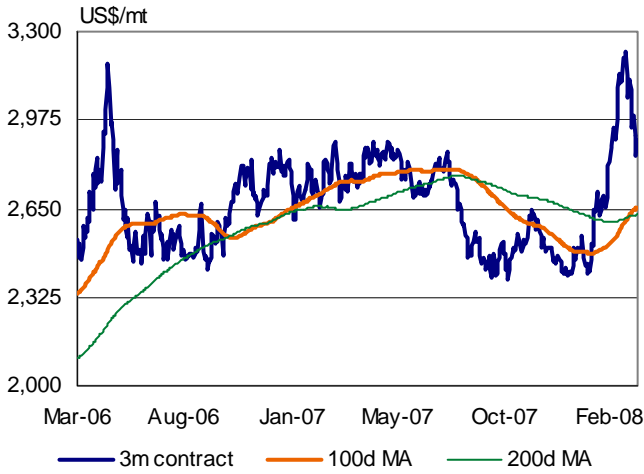
### Zinc

Zinc prices continue to struggle, and although they have recovered slightly from the mauling they took last week, prices remain weak closing on Tuesday 25th at \$2,331. Zinc prices are once again lying towards the bottom end of their recent range, pretty much where they started at the beginning of the year. The relative weakness reflects the metals poor fundamentals, with this situation unlikely to improve until we see a pick up in galvanizing demand. LME inventory continues to



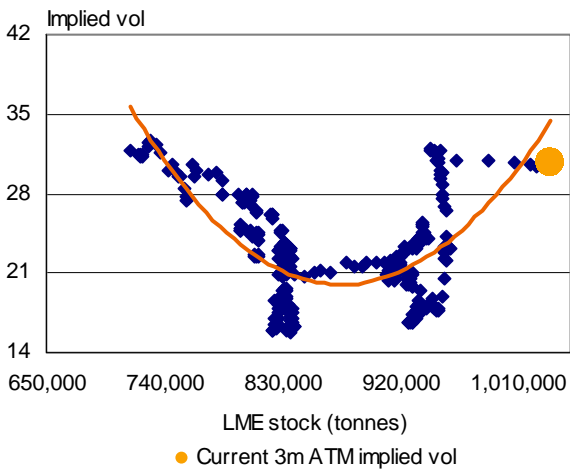
# Aluminium

## Price movement



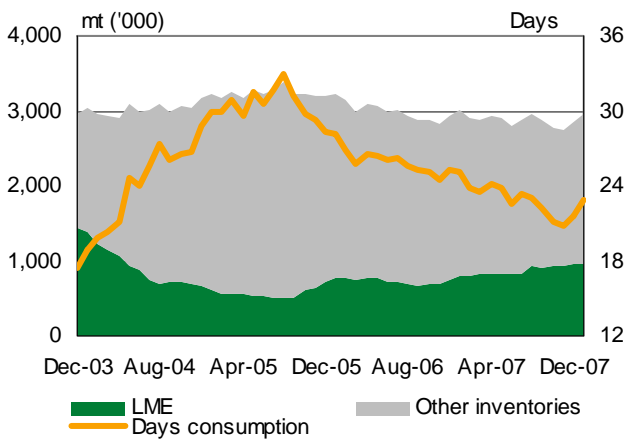
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



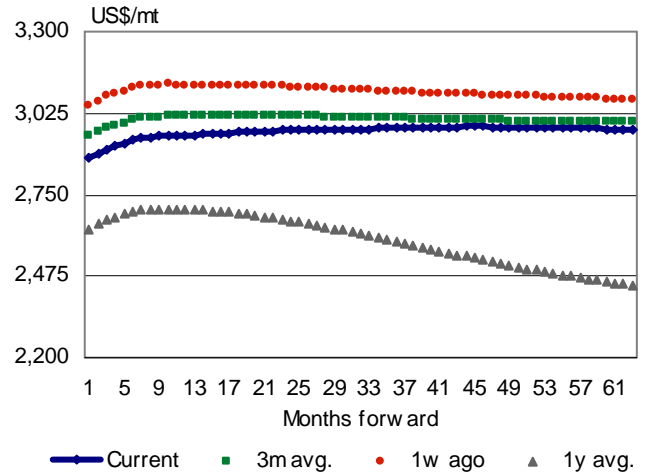
Sources: LME; Standard Bank Group

## Stock



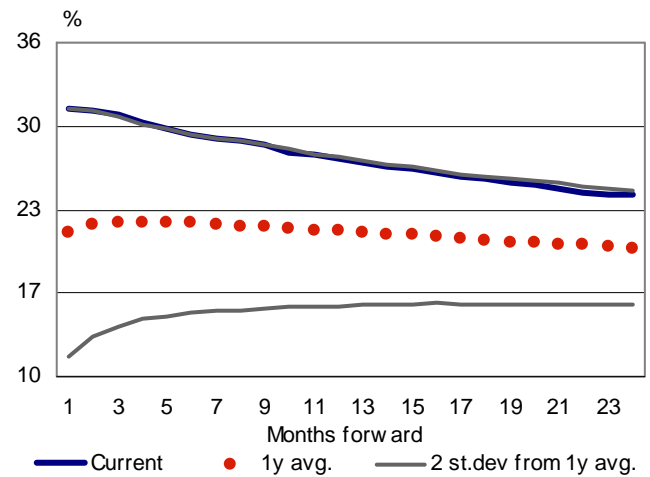
Sources: LME; AIA; Standard Bank Group

## Forward curve



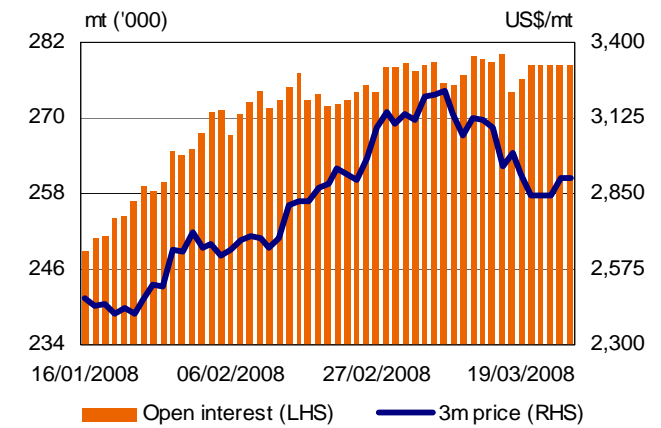
Sources: LME; Standard Bank Group

## ATM implied volatility



Sources: LME; Standard Bank Group

## LME open interest

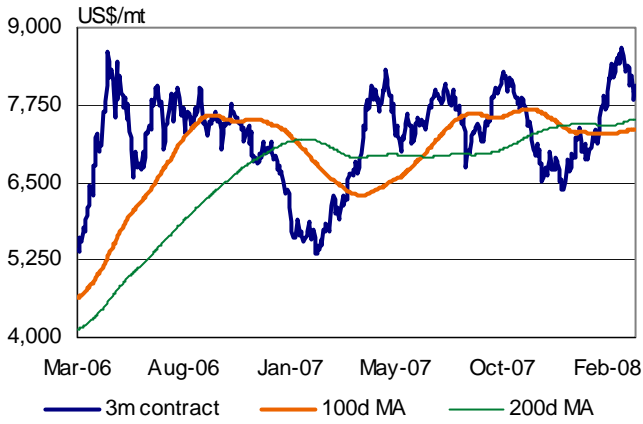


Sources: LME; Standard Bank Group



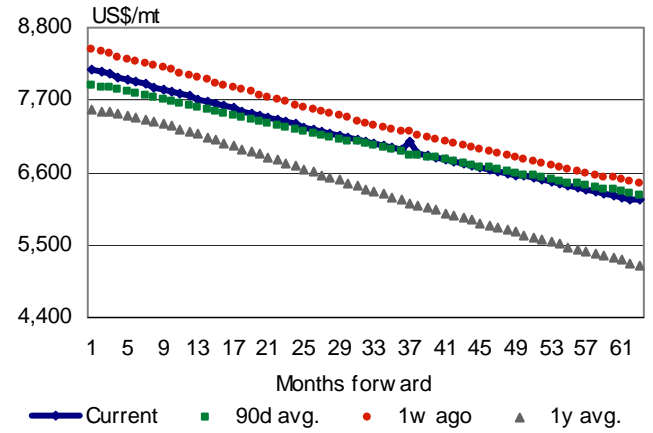
# Copper

## Price movement



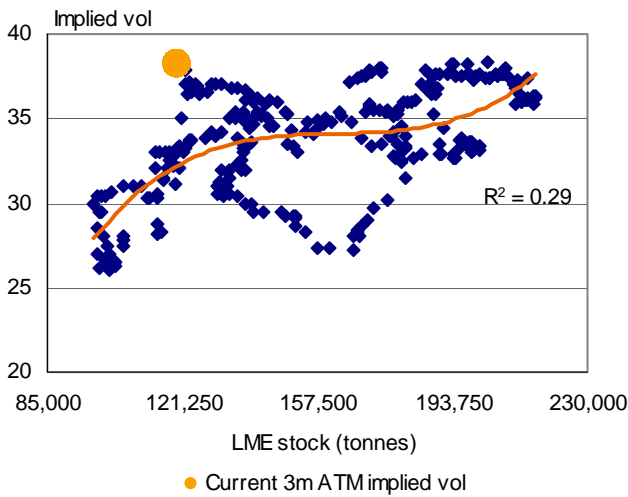
Sources: LME; Standard Bank Group

## Forward curve



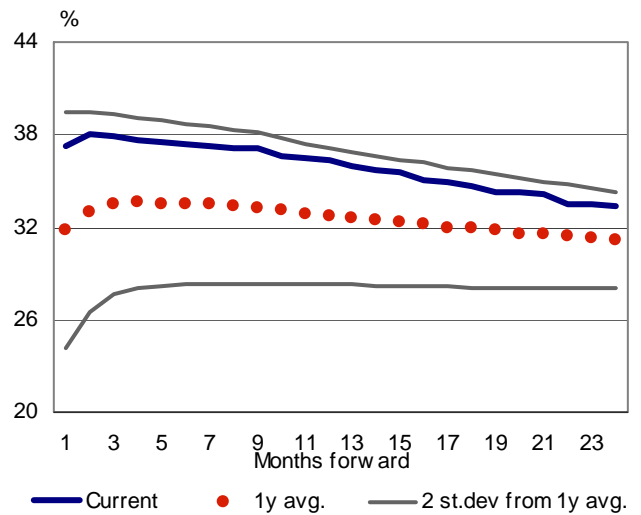
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



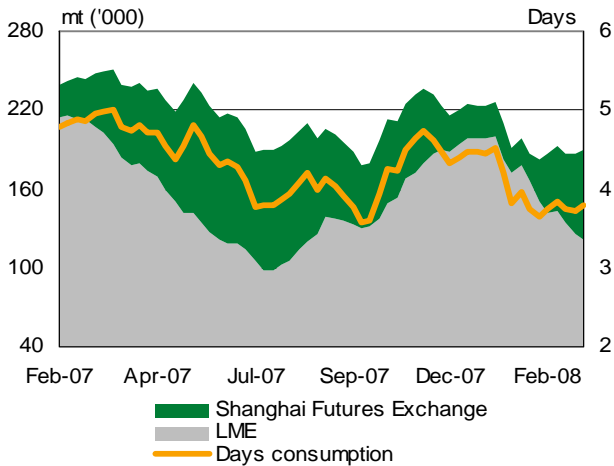
Sources: LME; Bloomberg; Standard Bank Group

## ATM implied volatility



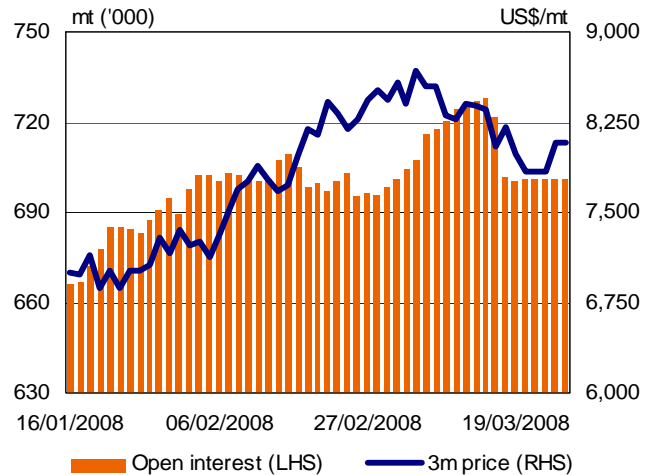
Sources: LME; Standard Bank Group

## Stock



Sources: LME; SFE; Standard Bank Group

## LME open interest

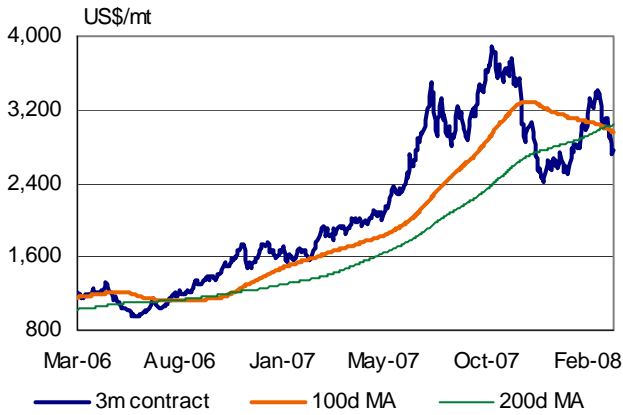


Sources: LME; Standard Bank Group



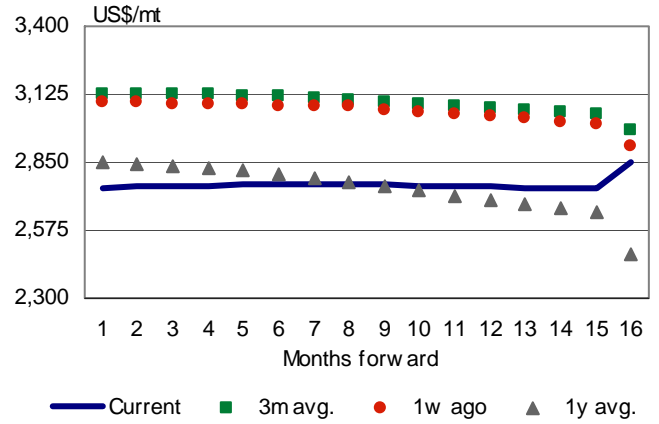
# Lead

## Price movement



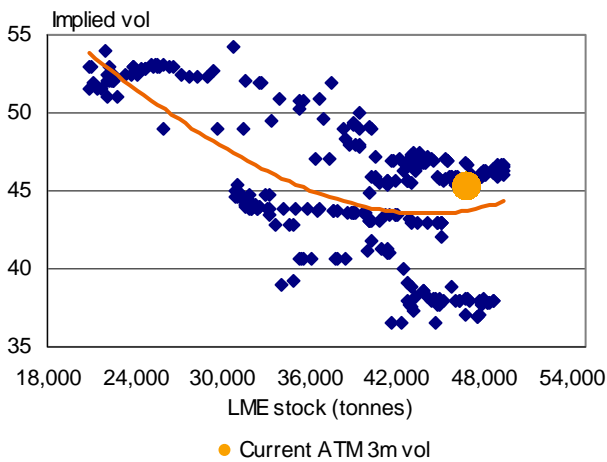
Sources: LME; Standard Bank Group

## Forward curve



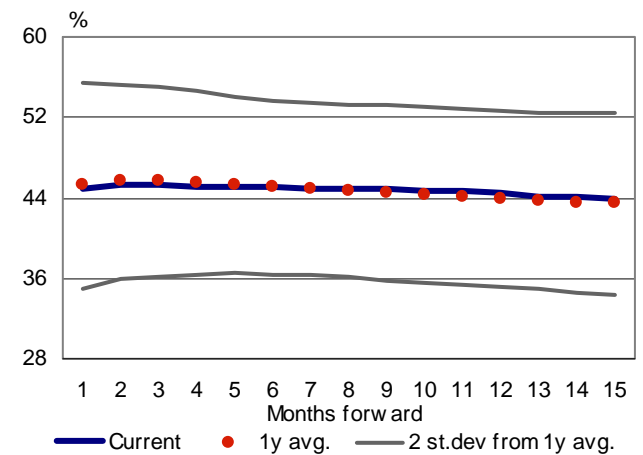
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



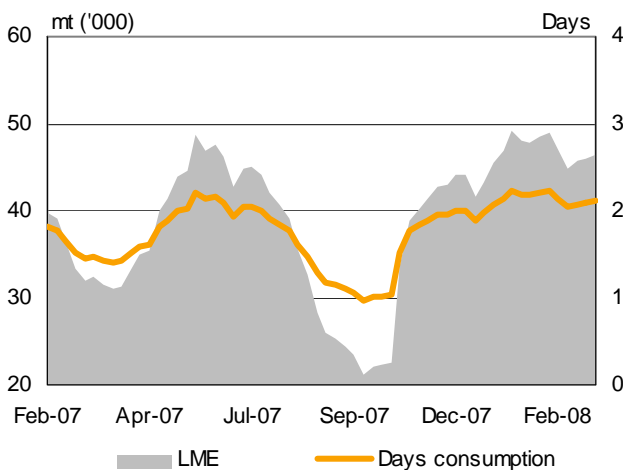
Sources: LME; Bloomberg; Standard Bank Group

## ATM implied volatility



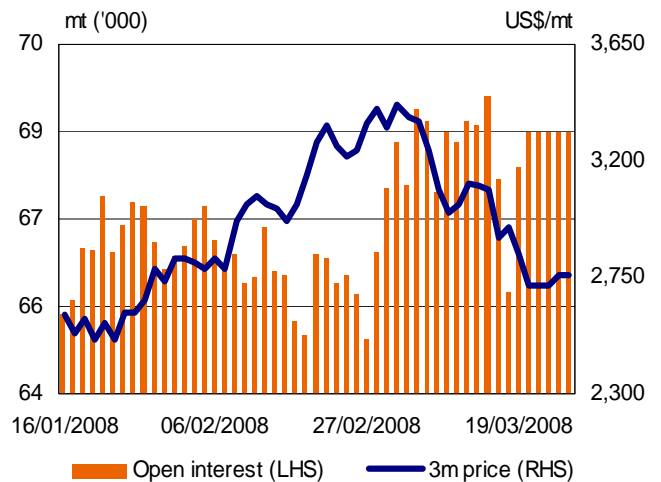
Sources: LME; Standard Bank Group

## Stock



Sources: LME; SFE; Standard Bank Group

## LME open interest

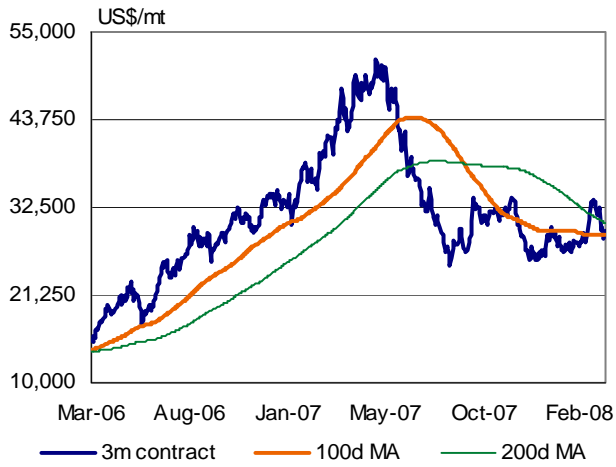


Sources: LME; Standard Bank Group



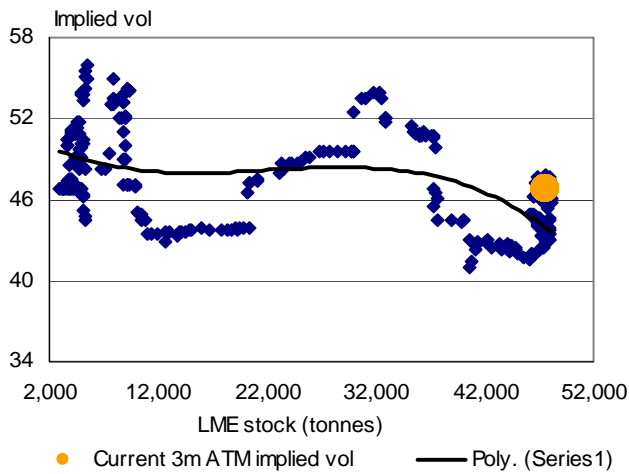
# Nickel

## Price movement



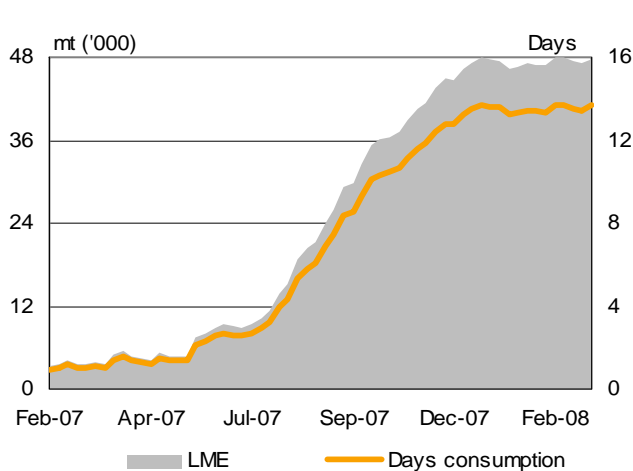
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



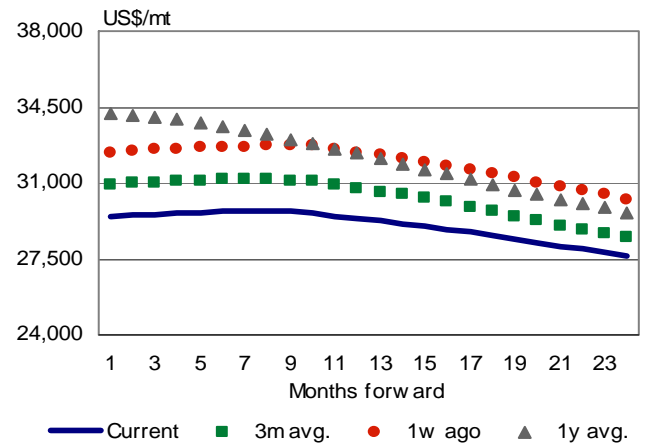
Sources: LME; Bloomberg; Standard Bank Group

## Stock



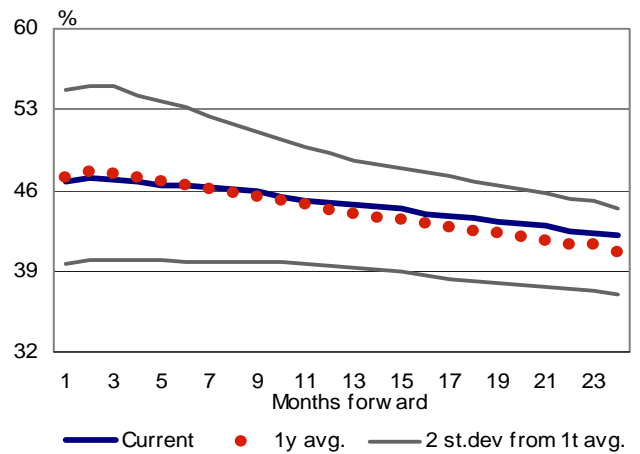
Sources: LME; SFE; Standard Bank Group

## Forward curve



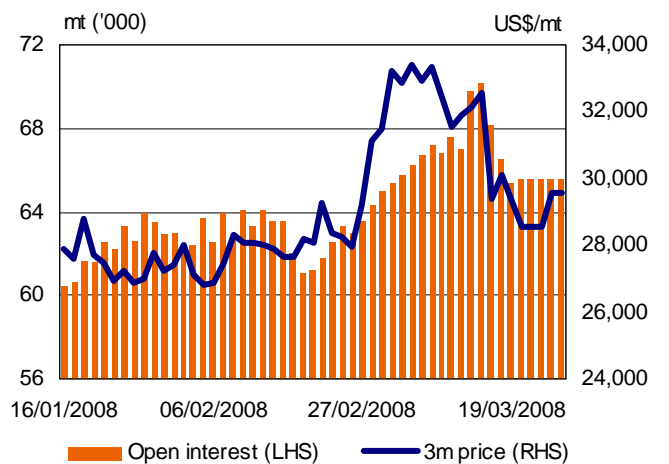
Sources: LME; Standard Bank Group

## ATM implied volatility



Sources: LME; Standard Bank Group

## LME open interest

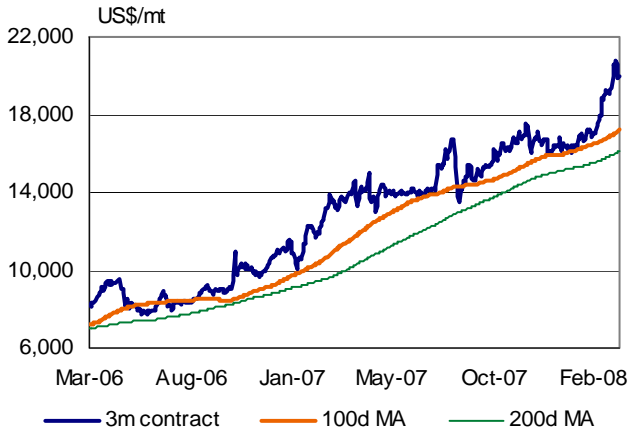


Sources: LME; Standard Bank Group



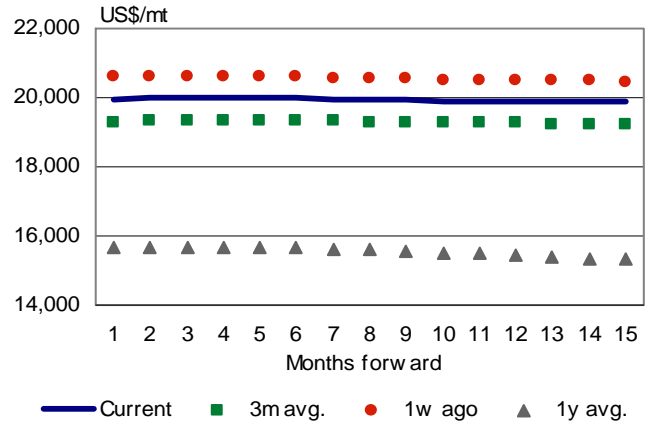
# Tin

## Price movement



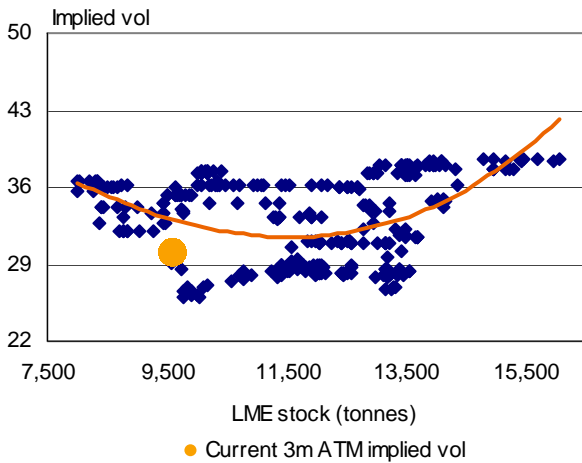
Sources: LME; Standard Bank Group

## Forward curve



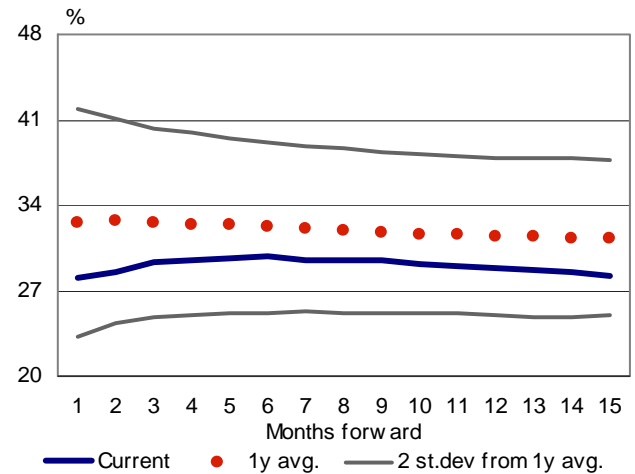
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



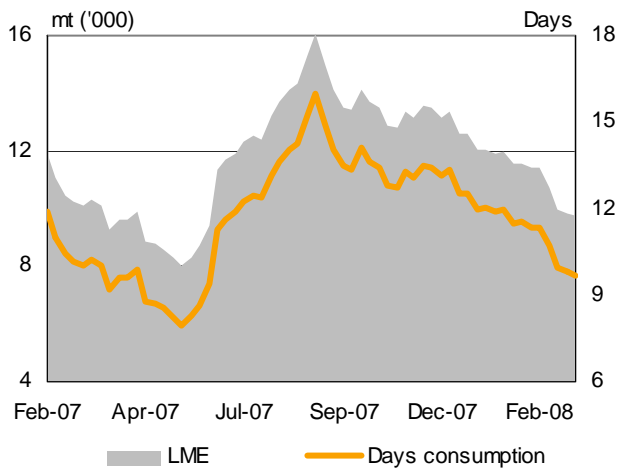
Sources: LME; Bloomberg; Standard Bank Group

## ATM implied volatility



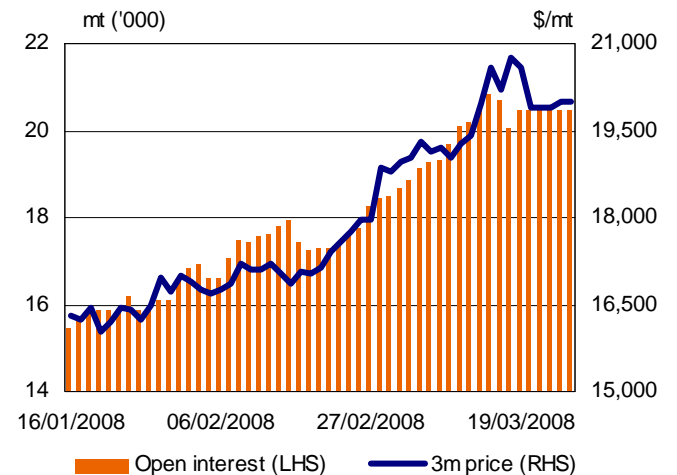
Sources: LME; Standard Bank Group

## Stock



Sources: LME; Standard Bank Group

## LME open interest



Sources: LME; Standard Bank Group



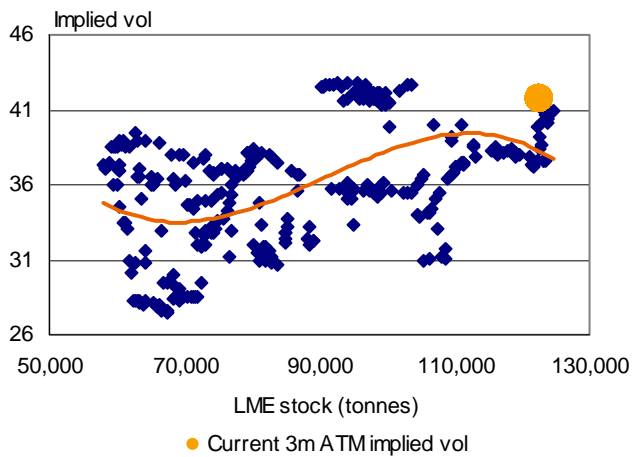
# Zinc

## Price movement



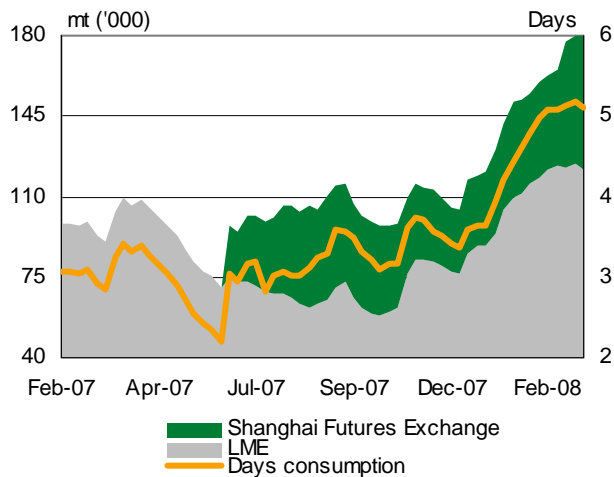
Sources: LME; Standard Bank Group

## Volatility vs. stock levels



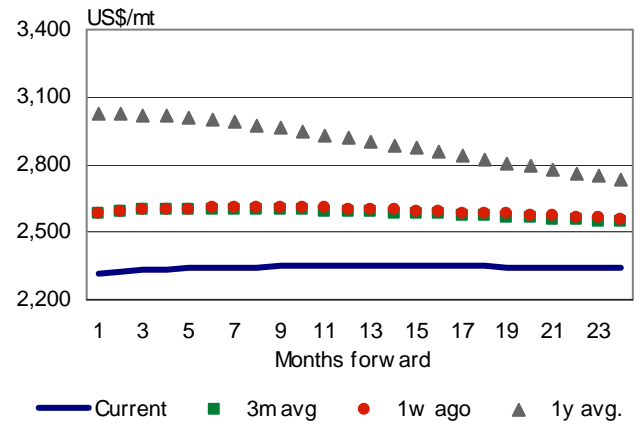
Sources: LME; Bloomberg; Standard Bank Group

## Stock



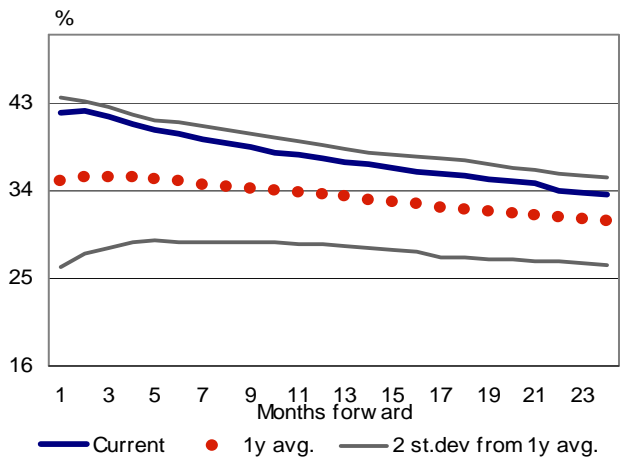
Sources: LME; SFE; Standard Bank Group

## Forward curve



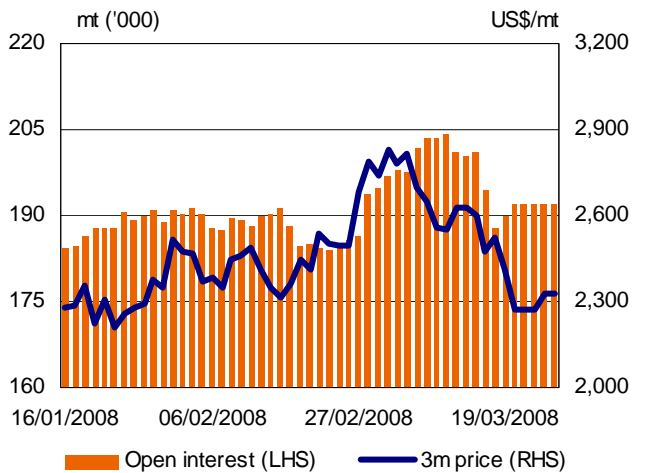
Sources: LME; Standard Bank Group

## ATM implied volatility



Sources: LME; Standard Bank Group

## LME open interest



Sources: LME; Standard Bank Group



## Energy market overview — a heavy sell-off

The combination of investor profit-taking, a recovery in the US dollar and a lack of supply concerns has prompted a heavy sell-off in crude futures in a holiday-shortened week in both the US and UK.

Last week's DOE inventory data showed a 3.2% year-on-year fall in total product demand (four-week average), while demand for distillate fuels such as diesel, jet fuel and heating oil fell by about 5.4%. Distillate inventories are at their lowest level since June 2005, while gasoline stocks eased below their 15-year high — to 25.6 days of forward cover, still 9.7% above the five-year average level of 23.4 days.

Last week, a UK court overturned the \$12bn freeze of Venezuelan assets as potential compensation for the nationalization of ExxonMobil's Venezuelan projects. Additionally, Venezuela's oil minister has confirmed that PdVSA has halted shipments of oil to the Chalmette refinery in Louisiana which is owned 50-50 by PdVSA and Exxon Mobil. The shipments are now being sold to China.

In other Latin American energy news, Argentina is facing a winter with very tight energy supplies and threats of gas and power rationing as the Bolivian natural gas imports on which they relied last year are being heavily reduced by increased domestic Bolivian demand. Argentina is looking at an LNG regasification vessel contract that can supply 8 mcm/d of gas from Trinidad, but the cost, which is believed to be

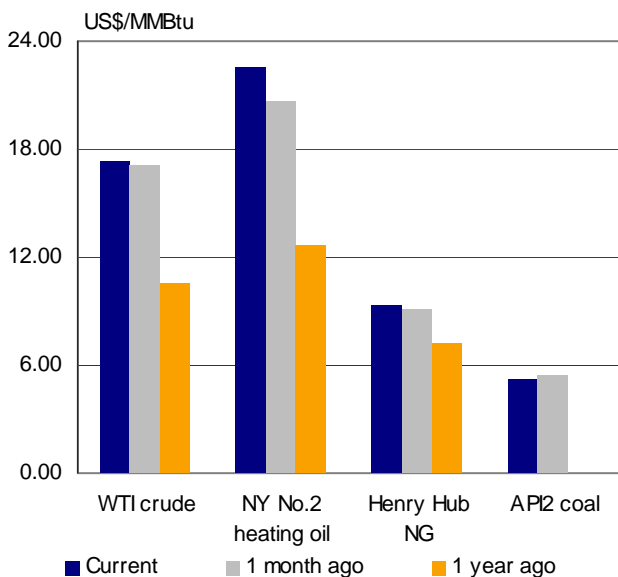
around \$13/mbtu, is six times the cost of Argentina's domestic gas and double the cost of Bolivian gas.

In Asian energy news, China might decrease prices of transport fuels as early as next month as part of a struggle to control inflation; this would be a reversal of past policy and would show the depth of concern about inflationary pressures within the economy. Chinese officials have also announced that Beijing is set to resume SPR fills in April even if oil prices hold above \$100. China has made no additions to its SPR since last December in the hope that crude oil prices would fall. Additionally, there have been reports in the Chinese state media about diesel shortages in Guangdong. While this fuel shortage appears isolated, it shows that Beijing's efforts to micro-manage China's energy market have not fully succeeded.

In Japan, ongoing political gridlock threatens the expiry of taxes which govern energy sales including gasoline, diesel and naphtha next week. While the ruling coalition will probably try to re-instate them in late April, it might not possess the political capital to reverse what will effectively be a tax cut on gasoline and diesel and a price hike on naphtha.

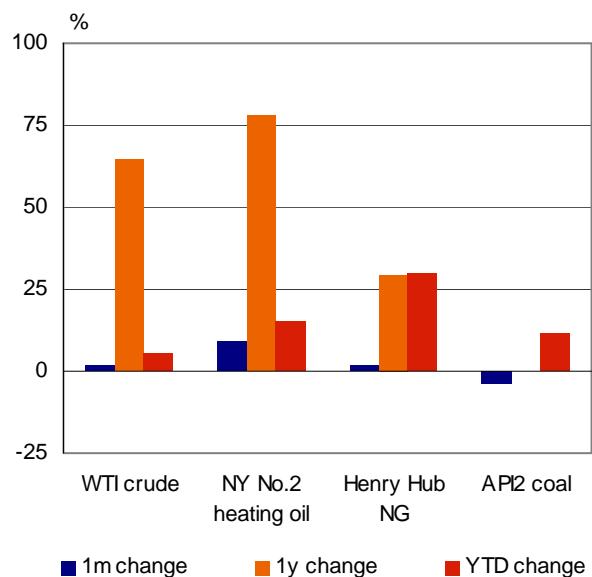
In Nigeria, Pengassen, the white collar union has postponed strike plans. Although kidnappings in the Delta persist, NNPC is reportedly going to restart certain refineries. Runs are expected to be 250-300m bpd, reducing crude exports and gasoline/diesel imports.

### Energy price comparison on BTU basis



Sources: Standard Bank Group; NYMEX; The McCloskey Group Ltd

### Change in energy prices (USD)



Sources: NYMEX; The McCloskey Group Ltd; Standard Bank Group



## Crude and refined products

The Easter holiday took buyers out of the US and UK markets last week, pushing volumes lower and exaggerating moves. However, early trade this week has seen crude extending its losses. On Tuesday, NYMEX crude closed up 36¢ at \$101.22 while ICE Brent, closed up 74¢ at \$100.60. The May WTI/Brent differential closed at 62¢. West African differentials improved last week, a trend which is likely to continue with NNPC restarting 250k bpd of refinery capacity taking those crude barrels off the market.

While strong oil demand in key major markets has kept the forward curve in backwardation, WTI front-back month spreads have weakened over the past week; this may gain momentum as we enter the second quarter, typically a time of low seasonal demand. The long-term structural rally, however, remains intact.

Last week's price collapse signaled a peak in the technical curve which is likely to trigger a further downswing to test \$96-95 particularly if prices close below \$100. Corrective rebounds to \$103 are possible, but market sentiment — at least in the near term — seems to be shifting in favor of the bears.

Although it is slightly too early to tell, last week's improvement in NYMEX RBOB prices and the slip in distillate prices may indicate that the seasonal gasoline market may have started despite high US gasoline inventories.

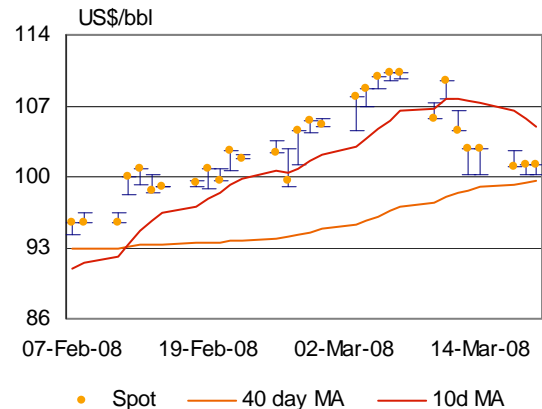
The current market which has seen gasoline cracks languish while distillate cracks set new margins has led to unusual strength in distillate versus gasoline spreads. USG heating oil has been trading around \$15-20 bbl higher than conventional 87 octane mogas. Although gasoline cracks are likely to recover and distillate cracks likely to ease in 2Q08, the spread between these two products may stay atypical compared to recent years due to heavy US gasoline inventories and arbitrage opportunities in Europe which is short middle distillates.

This relationship should lead to relative strength in higher distillate-yielding crudes like Forcados, Qua Iboe, Bonny Light, and Tapis. Higher distillate yielding crudes will be able to command higher relative prices from refiners than in previous years — all else being equal.

**NOTE:** NYMEX natural gas, heating oil, and RBOB gasoline Apr-08 options expire today (Wednesday), followed by Apr-08 natural gas futures on Thursday. ICE heating oil, RBOB gasoline, and natural gas futures expire on Friday.

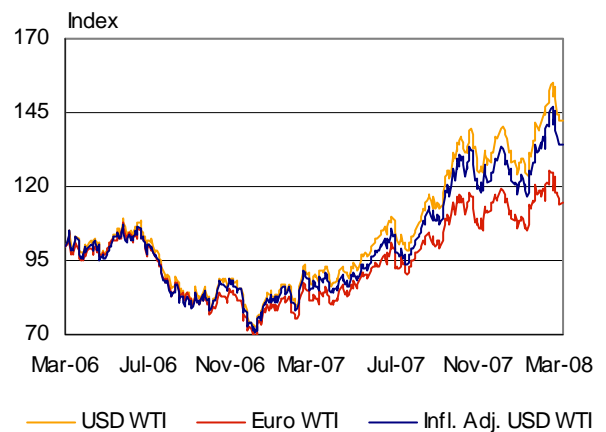
*Should the recovery in the equity market continue, commodities remain vulnerable to sharp sell-offs in what looks like an ongoing wave of long liquidation. A slowdown in the US economy, combined with a seasonal fall in demand in the second quarter, are likely to push oil prices below the \$100 mark in coming weeks.*

### WTI crude oil spot/high/low price



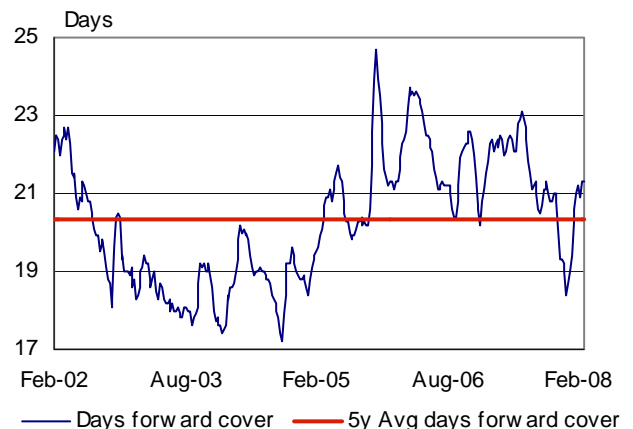
Sources: NYMEX; Standard Bank Group

### WTI price comparison



Sources: Bloomberg; Standard Bank Group

### US crude oil stock days forward cover

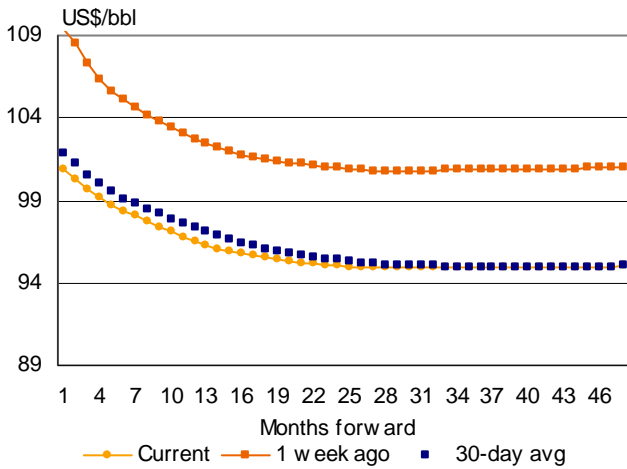


Sources: DOE; Standard Bank Group



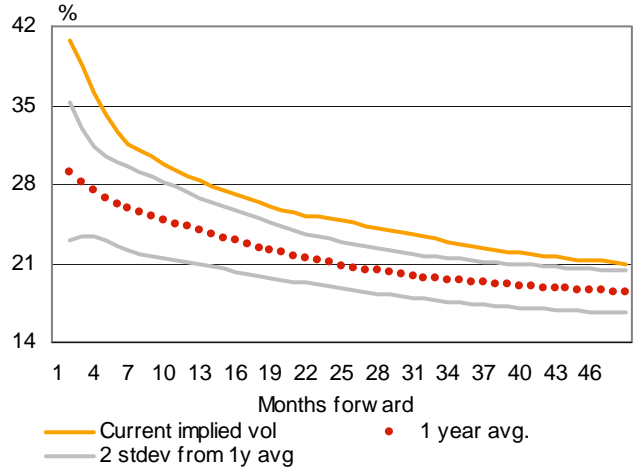
## Crude oil

### WTI crude forward curve



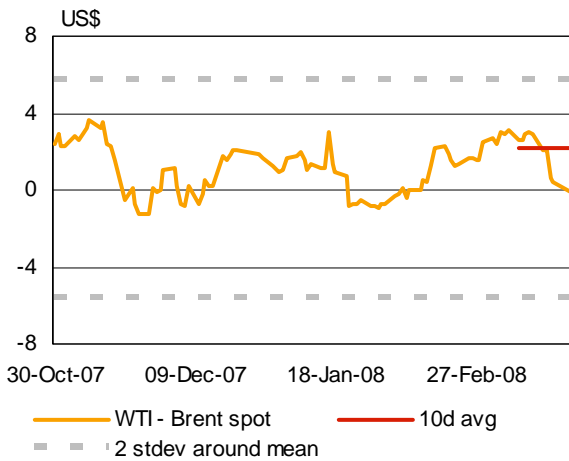
Sources: NYMEX; Standard Bank Group

### WTI ATM implied term volatility



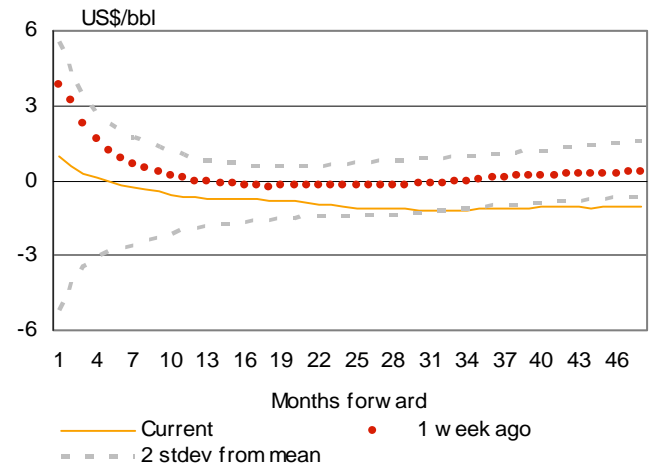
Source: Standard Bank Group

### WTI — Brent spot price spread



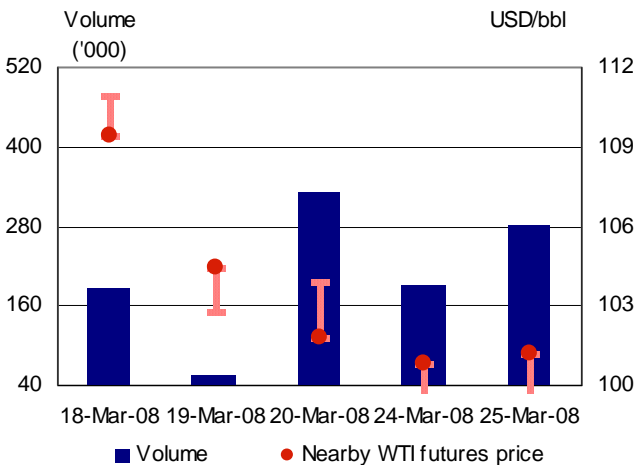
Source: Standard Bank Group

### WTI — Brent forward curve spread



Source: Standard Bank Group

### NYMEX near- month WTI future — last 5 sessions



Sources: NYMEX; Standard Bank Group

### Commitment of traders report (NYMEX crude oil)

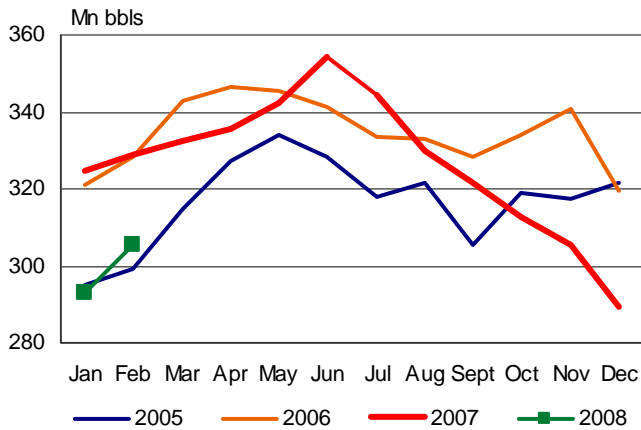
Most recent	
Total open interest	1,407,359
Futures longs as % of OI	94.90%
Futures non-commercial long as % of OI	17.66%
One week ago	
Total open interest	1,484,417
Futures longs as % of OI	94.96%
Futures non-commercial long as % of OI	17.43%
One month ago	
Total open interest	1,393,035
Futures longs as % of OI	92.37%
Futures non-commercial long as % of OI	15.61%

Sources: NYMEX; Standard Bank Group



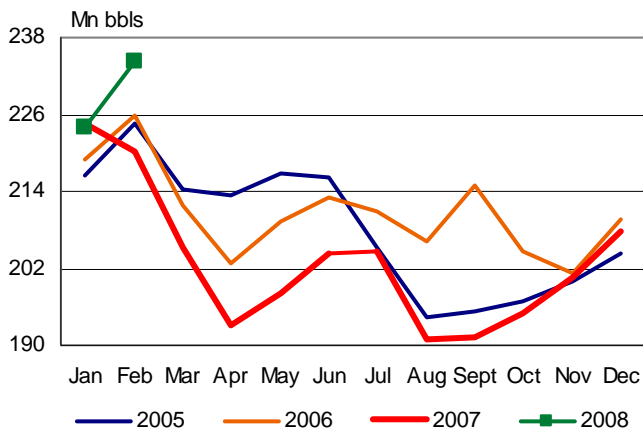
## Inventory — crude and products

### US commercial crude stock levels



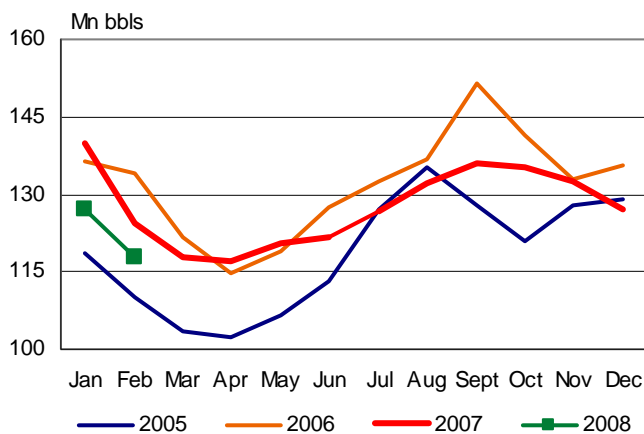
Sources: DOE; Standard Bank Group

### US commercial gasoline stock levels



Sources: DOE; Standard Bank Group

### US commercial distillate stock levels



Sources: DOE; Standard Bank Group

### US Inventory Statistics

	Unit	This week	Last week	Change
<b>Crude</b>				
US crude oil stock (excl. SPR)	mn bbls	15,314	15,513	-199
SPR	mn bbls	695	695	0
Total crude stock	mn bbls	14,619	14,818	-199
Crude import	mn bpd	9,468	10,548	-1,080
Crude days forward cover	days	21.30	21.30	0.00

### Gasoline

US Commercial gasoline stock	mn bbls	235,967	232,520	-3,447
Gasoline imports	mn bpd	901	745	156
Gasoline forward cover	days	26.00	25.60	-0.40
Gasoline implied demand	bpd	9,432	9,860	-0,428
Finished Gasoline Production	mn bpd	8,678	9,030	-352

### Distillates

US Commercial distillate stock	mn bbls	113,490	116,400	-2,910
Distillate Imports	mn bpd	294	133	161
Distillate days forward cover	days	26.80	26.70	0.10
Distillate implied demand	bpd	0,893	0,810	0,083
Distillate Production	mn bpd	3,811	3,891	-80

<b>Total US commercial stock</b>	<b>mn bbls</b>	<b>1,679,305</b>	<b>1,681,534</b>	<b>-2,229</b>
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### Refinery Activity

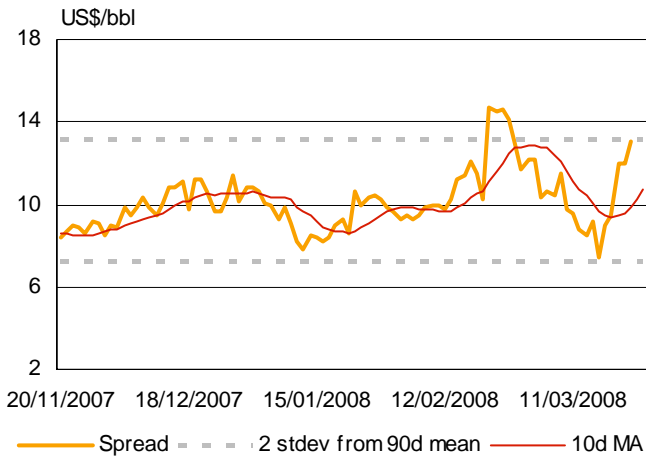
Crude oil input into refineries	mn bpd	14,619	14,818	-199
Refinery capacity utilisation	%	83.84	84.99	-1.15

Sources: DOE; Standard Bank Group



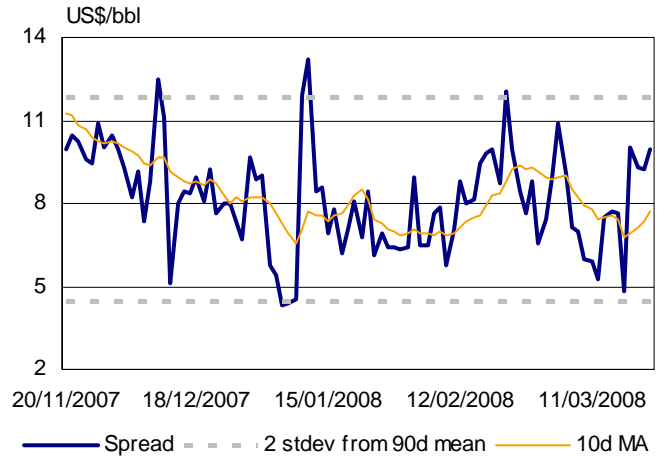
## Refined products benchmarks and futures

**NYMEX 3-2-1 crack spread (WTI)**



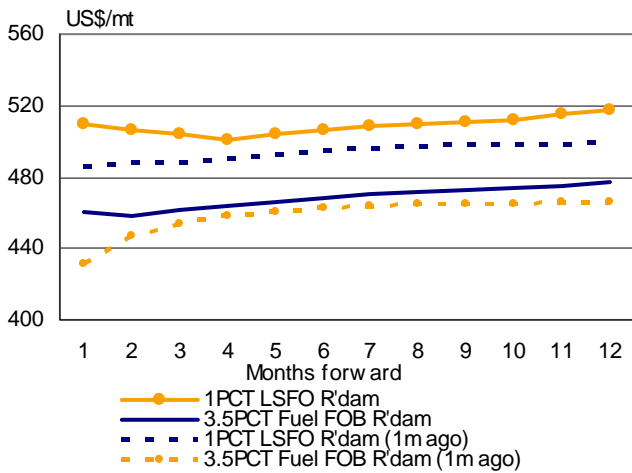
Sources: Bloomberg; Standard Bank Group

**ICE 3-2-1 crack spread (Brent)**



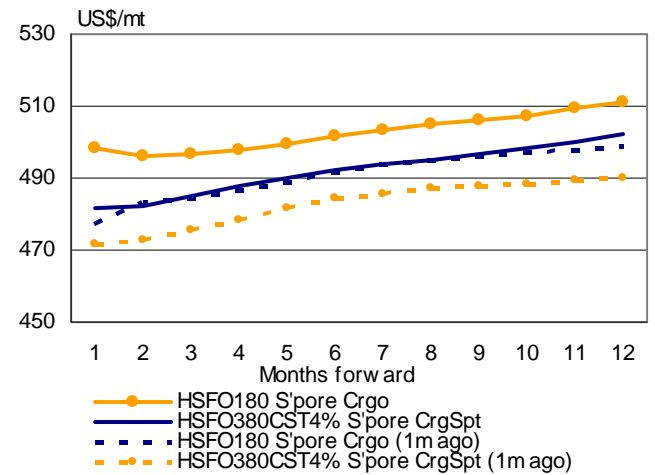
Sources: Bloomberg; Standard Bank Group

**European benchmark fuel oil futures**



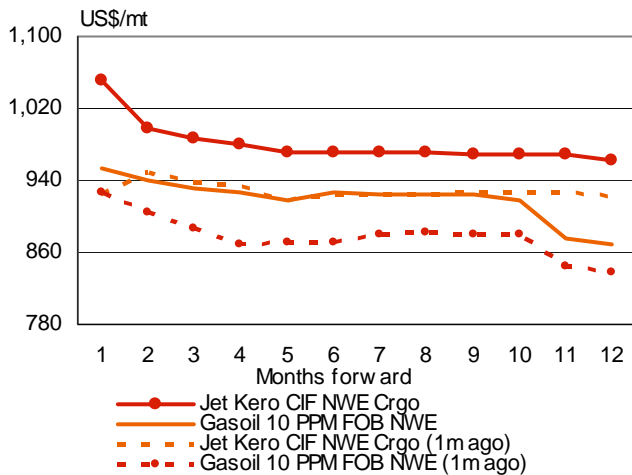
Sources: NYMEX; Standard Bank Group

**Asian benchmark fuel oil futures**



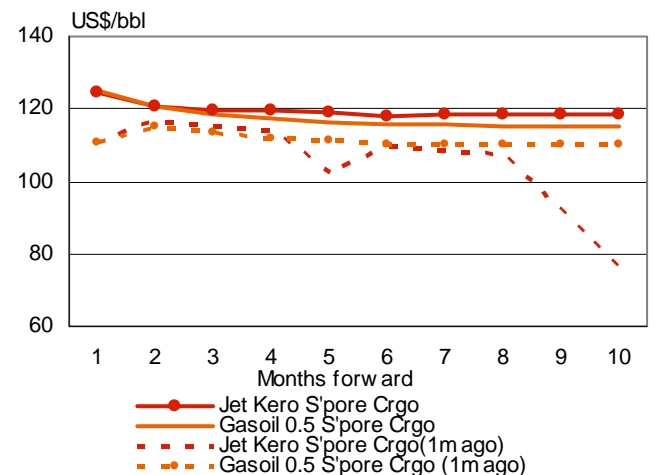
Sources: NYMEX; Standard Bank Group

**European product futures**



Sources: NYMEX; Standard Bank Group

**Asian product futures**



Sources: NYMEX; Standard Bank Group



## Refined products and other futures prices

		Futures prices					
	Unit	Today	1 day ago	2 days ago	3 days ago	4 days ago	5 days ago
<b>Crude</b>							
NYMEX WTI	US\$/bbl	101.12	101.06	102.79	104.48	109.42	105.68
ICE Brent	US\$/bbl	99.40	102.73	102.73	104.38	#N/A N Ap	107.44
Dated Brent	US\$/bbl	101.01	100.72	100.76	101.53	106.42	102.82
Dubai 1st month	US\$/bbl	95.56	94.34	94.08	93.90	98.79	97.11
Urals CIF 1st month	US\$/bbl	95.45	94.64	#N/A N.A.	#N/A N.A.	#N/A N Ap	#N/A N.A.
Tapis blend 1st month	US\$/bbl	105.75	104.13	103.96	103.80	103.80	108.83
Malaysia 1st month	US\$/bbl	104.68	104.51	103.92	109.01	107.41	110.91
OPEC basket	US\$/bbl	96.15	100.10	100.10	100.10	100.10	101.41
<b>Refining margins (netback)</b>							
USGC cracking (WTI)	US\$/bbl	114.43	113.95	114.00	113.78	118.73	102.82
NEW cracking (Dated Brent)	US\$/bbl	101.71	101.71	104.90	105.40	104.56	108.13
Singapore cracking (Dubai)	US\$/bbl	95.90	94.74	95.82	99.63	97.37	100.82
<b>Products</b>							
1% LSFO fob ARA barges	US\$/mt	512.00	512.00	504.00	525.00	518.00	518.00
3.5% Fuel fob ARA barges	US\$/mt	460.00	460.00	457.00	457.00	457.00	469.00
HSFO180 Singapore cargo	US\$/mt	494.50	487.00	490.50	512.50	501.25	513.00
HSFO380 CST4% Singapore cargo	US\$/mt	479.25	472.50	482.00	497.75	486.50	500.00
Jet Kerosene CIF NWE Cargo	US\$/mt	1,008.50	997.25	1,018.50	1,012.00	1,012.00	1,056.00
Gasoil 0.2 cif Med Cargo	US\$/mt	920.50	909.25	930.00	976.00	989.25	971.50
Jet Kerosene Singapore Cargo	US\$/bbl	954.50	943.25	964.50	958.00	958.00	1,021.00
Gasoil 0.5 Singapore cargo	US\$/bbl	123.85	123.25	124.55	130.05	127.15	131.55
<b>Other energy</b>							
NYMEX Natural Gas	US\$/mmbtu	9.43	9.42	9.33	9.07	#N/A N Ap	9.41
ICE UK Natural Gas	GBp/mmbtu	52.90	52.95	53.65	53.60	54.30	54.00
<b>Forex (against US\$)</b>							
EUR		1.5607	1.5651	1.5423	1.5433	1.5429	1.5625
JPY		100.00	100.00	100.75	99.57	99.52	99.05
GBP		2.0028	2.0059	1.9857	1.9820	1.9850	1.9843
CAD		1.0171	1.0164	1.0171	1.0235	1.0235	1.0138

Source: Bloomberg



## Coal

Thermal coal prices fell marginally this week due to weaker demand in the spot market and increasing export supply from China. In futures contract prices, API2 (Richards Bay) for March delivery fell \$4.60 to \$138.90 a metric ton, with API4 (Newcastle) for March delivery trading lower at \$111 a metric ton (prices have fallen across most maturities in the forward curve, indicating a structural downward revision of demand). Prices at the Newcastle terminal have fallen 4.03%, with prices for prompt delivery thermal coal easing 17% due to lower demand from North Asian power utilities following a coal stock build-up at most power plants (due mainly to lower heating demand due to the arrival of Spring in the Northern Hemisphere). Prices for delivery in Rotterdam (ARA) fell to \$136.75 a metric ton. The Baltic Dry index eased 0.9%, signaling a fall in global trading volumes.

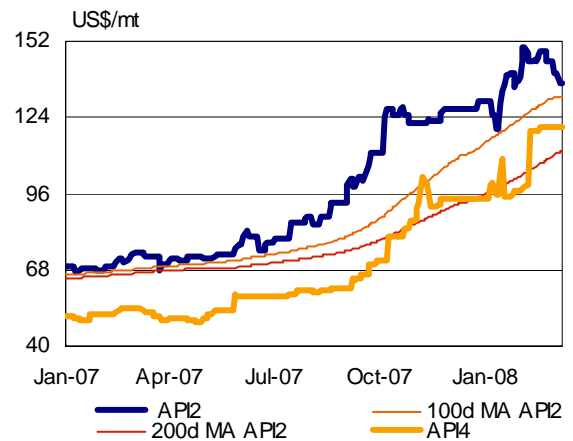
Further downside pressure on global spot prices is likely to be exerted by a provisional price arrangement between Australian producers and Japanese power utilities which is diverting Japanese demand away from the spot market. Subsequently, export volumes (tonnage) fell 7.70% at the Newcastle export terminal with average waiting times for ships rising 16.42% to 14.25 days due to a derailment which disturbed the export supply grid — coal due for loading has increased 38%.

On the supply-side, in China, Shenshua Energy and China coal have resumed exports (the main factor depressing global thermal coal prices) after the Chinese government approved a 53 million ton export quota (24% lower than 2007). It is instructive to note that the long-term global coal supply squeeze remains in place despite the short-term easing in demand due to the following factors: (i) Chinese demand growth is estimated at an annualized rate of 10%, with China having become a net importer as of January this year (globally, China is the largest consumer of thermal coal); (ii) logistical problems in India to source the vast coal reserves in the North-Eastern region of the country to serve the global market — however, India Coal is set to increase production to 93 MT this year from 91.5MT in 2007 at one of its divisions; (iii) a growing need in India and China to serve domestic thermal coal demand rather than supply export markets due to rapid industrialization.

In South Africa, plans to expand the Richards Bay export terminal handling capacity to 100 million tons remain in place despite a resurgence of power supply problems. This should ease congestion and decrease shipping waiting times.

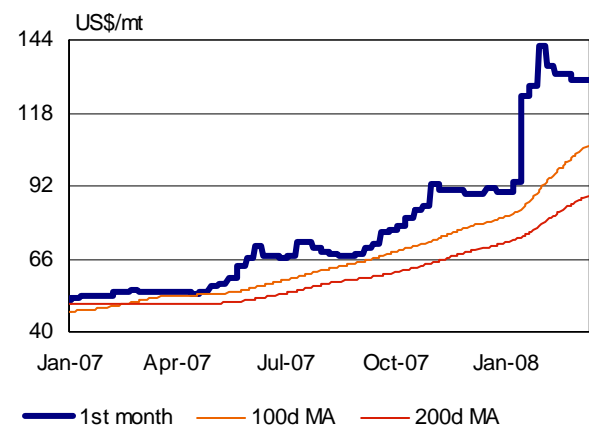
Coking coal prices should experience a near term correction as Rio Tinto has lifted *force majeure* at its Hail Creek mine in Australia following disruptions from monsoon rains.

### Price — API Index 1st month



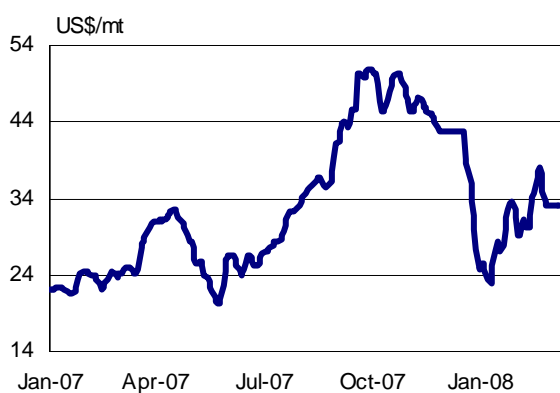
Sources: The McCloskey Group Ltd; Standard Bank Group

### Price — globalCoal Newcastle Index 1st month



Sources: The McCloskey Group Ltd; Standard Bank Group

### Price — C4 spot

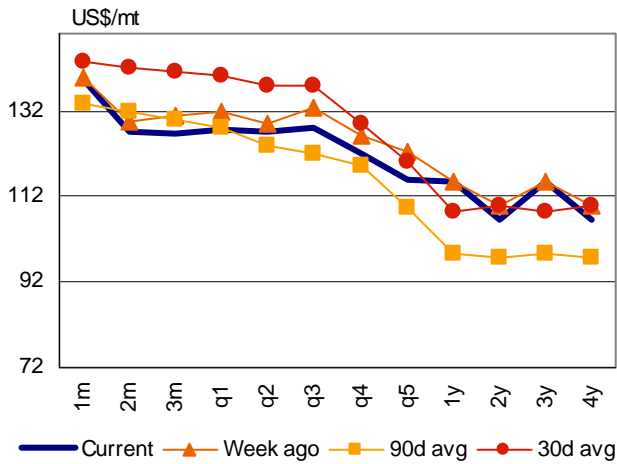


Sources: Baltic Exchange; Standard Bank Group



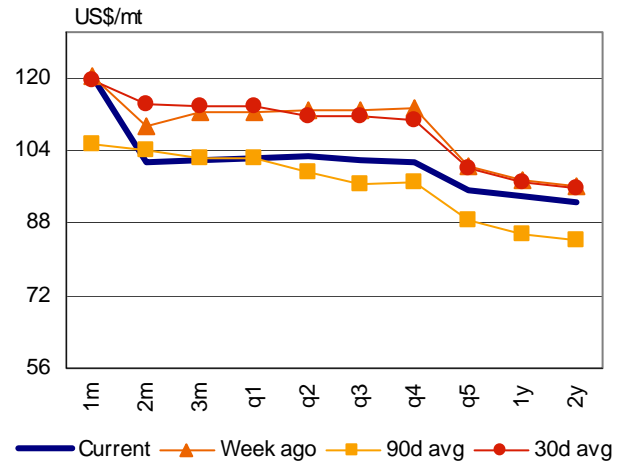
## Coal (continued)

### API2 Index forward curve



Sources: The McCloskey Group Ltd; Standard Bank Group

### API4 Index forward curve



Sources: The McCloskey Group Ltd; Standard Bank Group

### Coal shipment at Newcastle and Richards Bay

#### Coal terminal activity (mt)

##### Newcastle (week ended 17 March 2008)

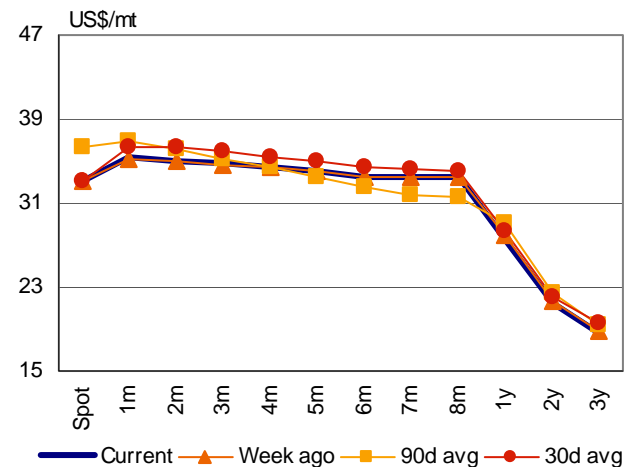
Total tons shipped for the week	1,754,729
Shipped so far this month	4,411,473
Projection for the month	7,780,000
Coal stock on hand (Carrington)	187,001
Coal stock on hand (Kooragang)	500,977

##### Richards Bay (February)

Coal received	5,221,215
Coal shipped	5,077,578
Coal stock at end of month	2,873,619

Sources: NPC; RBCT

### C4 forward curve



Sources: Baltic Exchange; Standard Bank Group

### Coal forward prices

25-Mar-08	API2	API4	Implied freight	gC Newcastle
Mar 08	138.95	110.95	28.00	125.75
Apr-08	127.50	102.80	24.70	112.00
May-08	127.30	102.30	25.00	110.00
Q2 08	127.10	102.35	24.75	110.50
Q3 08	127.25	102.25	25.00	107.75
Q4 08	127.60	102.75	24.85	106.25
Q1 09	127.20	101.50	25.70	104.50
Cal 09	122.10	98.30	23.80	99.00
Cal 10	115.50	96.50	19.00	96.00
Cal 11	110.00	95.30	14.70	95.00
Cal12	108.50	94.50	14.00	93.00

Sources: TullettPrebon; globalCoal; Standard Bank Group



## Trade ideas

Trade ideas	Comment	Entry value	Current value
Long platinum (Precious metals daily 14 February 2008)	Closed with platinum at \$1,950	Spot platinum: \$1,935	Spot platinum \$1,966* Profit/(loss): \$15/oz
Long gold, short SA gold equity index (Commodities weekly 27 February 2008)	Closed	Spot Gold: \$937 Gold index: 2,399 ZAR: R7.48/\$	Spot gold: \$994* Gold index: 2,653* ZAR: R8.0568/\$* Profit/(loss): 3.21%
Long gold, short ZAR (Commodities weekly 5 March 2008)	None	Spot gold: \$966 ZAR: R7.8312	Spot gold: \$948.75* ZAR: R8.07/\$* Profit/(loss): 1.23%
Short WTI Jun'08, long WTI Dec'10 (Commodities weekly 12 March 2008)	None	Jun'08: \$106.22 Dec'10: \$97.32	Jun'08: \$102.04** Dec'10: \$96.51** Profit/(loss): \$3.37/bbl

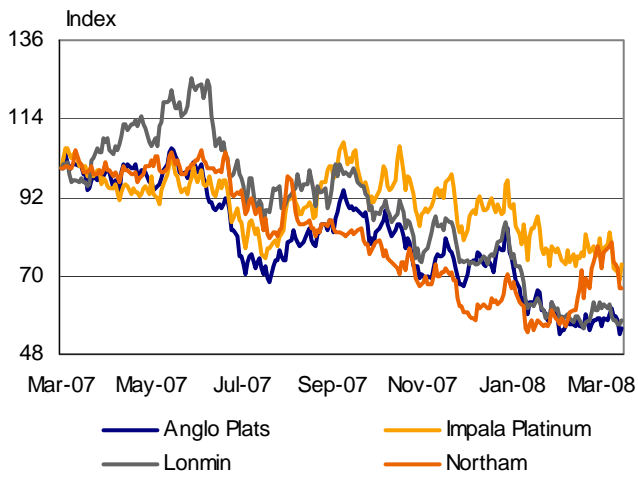
\*At 10:00 GMT 19 March 2008

\*\*Previous day's closing value



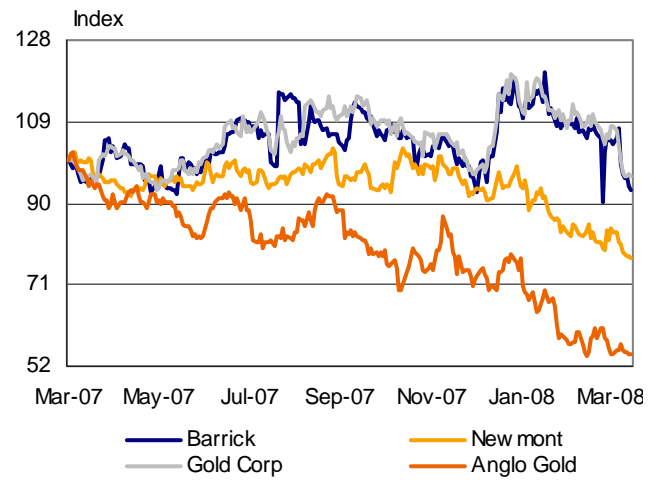
## Equity performance

### PGM stocks/Platinum price



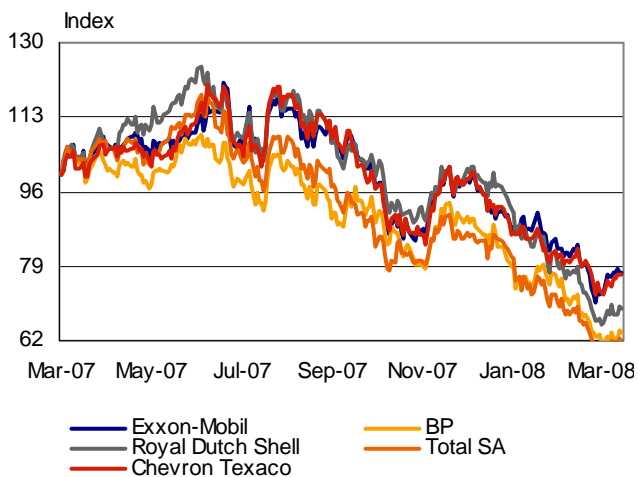
Sources: Bloomberg; Standard Bank Group

### Gold stock/Gold price



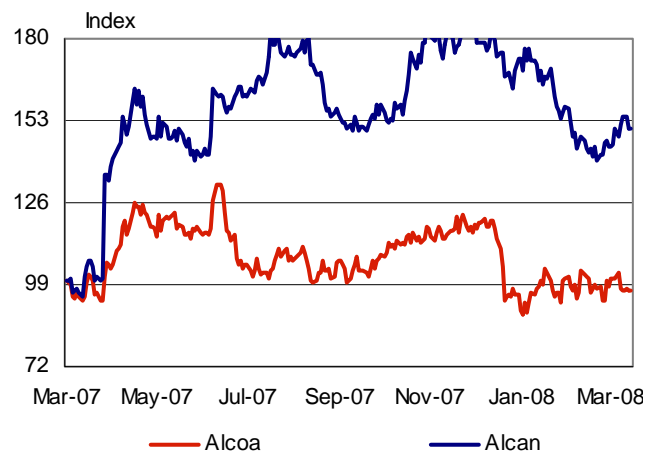
Sources: Bloomberg; Standard Bank Group

### Energy stocks/Energy BTU equivalent



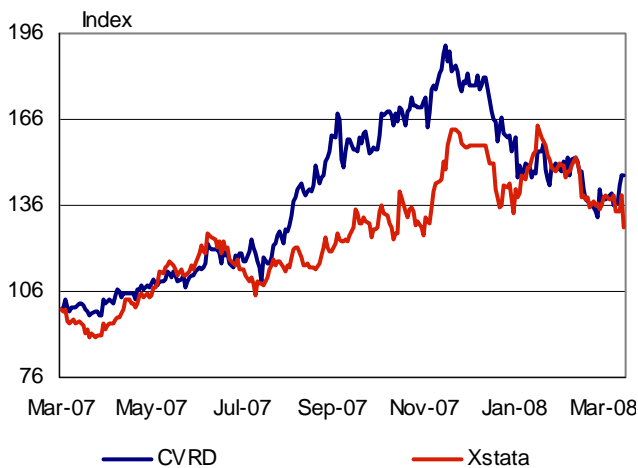
Sources: Bloomberg; Standard Bank Group

### Aluminium stocks/Aluminium prices



Sources: Bloomberg; Standard Bank Group

### Diversified base metals mining stocks/LMEX Index



Sources: Bloomberg; Standard Bank Group



## Research Strategy

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