

Fortis metals monthly

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Gold, silver, platinum,
palladium, aluminium, copper,
nickel, lead & zinc, tin, plastics.

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Metals and plastics – Strategic view

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Introduction

April registered strong performances for most base and precious metals; in nickel's case a fresh record price was (briefly) hit. This was perhaps counter-intuitive, given some poor macro-economic data from the USA, whose GDP grew at 1.3% in Q1 2007, below already weak expectations, although markets took heart from the likelihood that interest rate rises will be put back as a consequence.

Gold

Gold rose as high as \$691/oz in April on the back of USA dollar weakness, but failed – once again – to push through \$700/oz. The British naval crew held by the Iranian government were released early in April and tensions in the Middle East merely simmered rather than boiled over.

Silver

Silver has yet to find comfort above \$14/oz. It briefly fixed above \$14/oz in April but, as gold slipped, silver dithered. This pattern – the two moving in tandem – will persist, in the absence of any notable fundamental silver news.

Platinum

Platinum fundamentals – already strong – were given a fresh boost by news of platinum Exchange Traded Funds, rumoured last year, finally taking concrete shape. Platinum will continue to do well this year and could rise to \$1,500/oz on any signs of supply-side disruption.

Palladium

Palladium rose to an 11-month high of \$382/oz in April. A move beyond this level is likely to be motivated by technical factors rather than fundamentals, which remain uncertain for the longer-term.

Aluminium

LME stocks of aluminium remain robust. We expect sideways movement in the price unless major supply disruptions emerge.

Copper

Copper pushed through \$8000/t again in April, reaching its highest level since May last year, spurred on by fresh strong China demand data and some supply-side threats; but a greater slowdown in the USA than has been anticipated could knock the metal back down.

Nickel

Nickel prices remain exceptionally strong, pushed higher by growth in China's stainless steel industry. Although substitution may be a threat in the longer term, for now nickel prices are going to hold their own at current levels.

Lead and zinc

Given the falling LME zinc stocks, prices should move upwards but exports from China have dampened immediate demand. Lead may weaken as stocks begin to rise, although supply-side disruptions continue to tease investors.

Tin

Indonesian producers are taking some time to sort out their tin export licences and stocks are falling.

Plastics

Prices moved up in April, but with low trading volumes further strength is contingent on crude oil prices – which by the start of May began faltering.

Forecasts

Price forecasts		End-April	1-month	2-month	3-month	12-month
Gold	\$ per oz	677	650-700	>700	>700	650
Silver	\$ per oz	13.50	13.40-14.20	<14	<14	13
Platinum	\$ per oz	1286	1,300-1,400	1400	1,400	1,500
Palladium	\$ per oz	371	350-400	400	400	350
Aluminium (3-month)	\$ per tonne	2,850.50	2,750-2,850	2,800	2,800	2,800
Copper (3-month)	\$ per tonne	7,771	7,500-8,200	>8,000	>8,000	7,000
Nickel (3-month)	\$ per tonne	48,700	42,000-55,000	50,000	50,000	30,000-60,000
Lead (3-month)	\$ per tonne	2,010	1,900-2,200	1,900	1,900	1,500
Zinc (3-month)	\$ per tonne	3,706	3,700-4,300	3,500	3,500	3,000
Tin (3-month)	\$ per tonne	13,405	12,800-13,200	12,500	12,500	11,000
Plastic: LL (September)	\$ per tonne	1,160	1,190-1,300	1,250	1,300	1,200
Plastic: PP (September)	\$ per tonne	1,315	1,200-1,300	1,200	1,200	1,150
		2-years	3-years	4-years	5-years	6-years
Gold	\$ per oz	550	490	450	450	400
Silver	c per oz	12	11	10	10	10
Platinum	\$ per oz	1,400	1,400	1,300	1,200	1,200
Palladium	\$ per oz	280	280	250	230	230
Aluminium (3-month)	\$ per tonne	2,000	2,000	2,000	1,900	1,900
Copper (3-month)	\$ per tonne	5,000	5,000	4,000	4,000	4,000
Nickel (3-month)	\$ per tonne	25,000	25,000	15,000	14,000	13,000
Lead (3-month)	\$ per tonne	1,000	1,000	900	900	800
Zinc (3-month)	\$ per tonne	2,500	2,000	2,000	1,900	1,900
Tin (3-month)	\$ per tonne	11,000	10,000	9,000	9,000	8,000
Plastic: LL (September)	\$ per tonne	1,300	1,300	1,200	1,200	1,100
Plastic: PP (September)	\$ per tonne	1,300	1,300	1,200	1,200	1,200

Source: Virtual Metals

Analysis

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Copper – history repeating itself?

While much concern has been expressed by end-users about the copper price and the rate of its rise, there seems little prospect of respite for consumers as long as China's economy keeps on expanding. The price climbed to a 7-month high of \$8,100/t (London Metal Exchange 3-month contract) on 18th April, following reports that China's imports of the metal and copper products hit record levels in March. Copper and copper-product shipments to China rose 56% in the first two months of the year (compared with the same period in 2006) to 468,849t. In March alone – according to official customs data – China's refined copper imports rose to an all-time high, with total inward-bound shipments exceeding 200,000 tonnes. Worries about a possible overheating of the Chinese economy, with growth at an annualised rate of 11.1% in Q1 2007, had waned by the end of April and, although there was some price weakening in the last two weeks of the month, it remained relatively firm on the belief that the Chinese economy, even with further interest rate rises, was robust enough to support the copper price. And, by 2nd May, copper was again nudging \$8,000/t. How much depends on continued strong demand from China?

This demand could well be considerable, according to some copper producers. Charlie Sartain, Xstrata's copper CEO, expects Chinese demand for copper could rise as much as 10% this year. Clive Newall, president of the junior mining company First Quantum, which has copper assets in Zambia and the Democratic Republic of Congo (DRC) said he thought a copper price of \$2/pound-\$3.50/pound, or between \$4,410/t-\$7,718/t, could be a trading range that might persist for some time to come. While planned expansions and new developments are waiting in the wings, there will inevitably be delays, meaning, in his view, that production will not exceed demand in the mid-term. Rio Tinto's new CEO, Tom Albanese, also expects copper demand to remain "robust," again led by China's appetite for the metal. Refined copper demand in China may increase from 3.8 Mt last year to as much as 4.7 Mt by 2010, according to the Chinese metal trader Minmetals. Norddeutsche, Europe's largest copper refiner, believes that, even with a sluggish USA economy, growth in China, India and Brazil will compensate and keep copper prices relatively high. Meanwhile, stockpiles of the metal at LME warehouses continue to fall, declining more than 12% in April, from 178,075t as of 30th March to just 157,200t on the last day of April.

And if hefty acquisitions are any indicator, bigger copper players are still taking a bullish long-term view for copper, snapping up reserves wherever they can; Anglo American on 30th April paid \$403m to win a bidding round for Peru's fourth largest copper deposit, Michiquillay, defeating about 20 competitors in the process. On top of which, supply-side interruptions keep popping out of the woodwork. A strike broke out at one of the world's biggest copper and gold mines, Freeport McMoRan's Grasberg mine in Indonesia, while in Peru, a national (although patchily implemented) strike by half of the nation's mineworker unions had affected some copper mines, including an operation owned by Southern Copper. Peru produced 1.05 Mt of copper in 2006, making it the world's third largest producer.

Some threats

There are some concerns that may weigh on the price. A slowing in the number of houses being built in the USA – the US National Association of House Builders predicts single unit housing starts will fall 22% to 1.16m this year – helped place a lid on further upward price moves in April. The spectre of increasing supply was also a negative. Chile, the world's largest copper producing country, said its output increased by 13.5% in March (vs. the same month in 2006) and Zambia, Africa's biggest copper producer, said its exports rose 31% in February as its mines recovered from a spate of flooding. One of the world's biggest copper producers, BHP Billiton, reported a 22% rise in

production, to 357,600t in Q1 2007 (again, compared with the same quarter of 2006) and smaller companies, Vedanta and Palabora, reported increases in output. Longer-term, as long as it maintains a level above \$4,000/t, efforts will be made to find substitutes. Some copper producers are nervous that if the metal remains around current levels it is likely that substitution could hold at last year's level, at the equivalent of around 400,000t. Yet this is small beer when matched against overall consumption – the International Copper Study Group (ICSG) puts global demand for refined copper in 2006 at 17.02 Mt. Demand for January this year alone rose 6%, led by a 27% jump in China, to 1.51 Mt, according to the ICSG. With all this strongly supportive evidence it will take some courage to aggressively short the metal either right now or for the immediate future.

Focus

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South Africa's platinum juniors get busy

With platinum prices at such high levels, and the healthy demand outlook for the metal – driven largely by tightening emissions controls for road vehicles – it is little wonder that South Africa's junior mining sector is busier than for many years. We review here the more notable recent developments and consider what impact they might have longer-term.

There are about 20 junior exploration platinum companies operating today in South Africa, the country which holds the world's largest platinum deposits. The Merensky reef, the UG2 and the Plat reef together comprise South Africa's Bushveld Complex, a geological formation which contains 80% of the world's known platinum reserves. The Merensky reef has the highest proportion of platinum to other pgms. As a result, most of the pgms already mined in South Africa have come from the Merensky, whose combination of metals allows for easier refining. The UG2 has lower gold, copper and nickel by products but its pgm reserves can be twice that of the Merensky, although its higher chrome content (which demands higher smelting temperatures) can result in problems. The Plat reef tends to have a ratio of 2:1 ratio of platinum to palladium.

The proposed projects of just six of these companies – if they see the light of day – would mean an additional annual 1.7 Moz of platinum group metals (pgms) could be produced in five to six years time. Of the rest, their plans either have a serious question mark hanging over them, or they fall into the category of mid-tier miners, which, although expanding, already have significant production, such as Aquarius Platinum. The six companies we highlight here are listed on either the Johannesburg, Toronto, Australia or London's AIM exchanges, and, in some cases two of these exchanges. For the last few years they have been building up their profile, as is the wont of junior and exploration miners, while exploring and trying to convert their resources into reserves.

Anooraq Resources, which is listed on the Toronto Stock Exchange with a secondary listing on the Johannesburg stock exchange (JSE), has a 50% stake in the Ga-Phasha joint venture with Anglo Platinum (Angloplat). Anooraq hopes to be producing 400,000/oz of pgms annually by 2012 from two mines in the Ga-Phasha lease area. The pre-feasibility study has been completed, with the results to be published soon, and will be followed by a bankable feasibility study. The expectation is that, if the project is developed, there would be two mines, the first on an outcrop of UG2 ore going down to about 600 metres in depth. The second project, known as the Boikgantsho project, is also a 50/50 joint venture with Angloplat. The pre-feasibility study is scheduled for completion this year and it could be producing in five years. Wesizwe Platinum, listed on the JSE, is developing a stand-alone mine at a cost of R3.6bn (\$511m). When fully operational, this mine would have output of 280,000 oz of 4E metals – a measure of the platinum, palladium, rhodium and gold extracted – by around 2010. Eland Platinum started open cast mine blasting in January at its project and the company, which is listed on the JSE, aims to produce platinum by October this year. The mine is in the Western limb of the Bushveld Complex in South Africa, the most commonly mined section of the geological feature. By late 2011 an underground expansion should bring Eland's production to an annual 270,000oz of 4E. AIM and JSE-listed Jubilee Platinum has a small stake in a project called Tjate Platinum, with an option to increase that to 35% by further investing in exploration. Jubilee's CEO, Colin Bird, reckons it would cost \$130m to bring Tjate to the mining stage, with a plan to produce 220,000 of platinum a year. This project does not have a completed feasibility study and any mining and ultimately production of pgms could be a good few years off, although if it does go ahead, production from 2010 onwards may be possible. Platinum Group Metals (PTM), which is listed in Toronto, should have completed its pre-feasibility study by the end of this year. It is planning a R2bn (\$284m) 700-metre deep mine with the aim of producing 155,000 oz of platinum

a year or 250,000 oz of 4E. Its Western Bushveld Joint Venture (WBJV) is 37% owned by PTM and the rest by Angloplat. But, as with all the explorers and junior pgm companies, not only do they have to prove up the reserves they also need to raise millions of dollars to develop a project, often over a two to four year period, with costs varying depending on whether the operation under development will be open pit or underground. As these companies are juniors, time-frames are very fluid because they are dependent on securing finance.

Strength in numbers

Probably very few of these juniors will survive as independent companies but instead, as they approach closer to final production, will become more attractive as take-over targets from already existing bigger players. By around 2010-2012 we could see a rash of buying, leaving perhaps as few as three of today's pgm juniors left standing as separate entities in South Africa, producing 1 Moz- 2.5 Moz of pgms. This of course would be in addition to the world's three largest platinum producers: Angloplat, Impala Platinum (Implats) and Lonmin. These companies are growing production too, but much of their growth is replacement ounces to compensate for ageing mines. Angloplat's production was 2.82 Moz of platinum last year; Implats is producing at an annual rate of about 2 Moz and Lonmin at around 980,000 ounces. These three are increasingly likely to buy into the juniors. Lonmin kicked off the consolidation in 2006, buying AfriOre, while earlier this year Implats acquired AIM-listed African Platinum (Afplats). With the probability of further similar corporate action, share prices of SA junior pgm miners have been climbing dramatically in the last few months, but there is something to be said for the view that junior mining share prices have risen beyond levels at which their underlying asset value sustains such rises. Platinum companies make up more than 40% of South Africa's NedSec Junior Mining (NSJM) and Exploration Index, and the index has climbed an annualised 156.43% from 1st January to 26th April. Strong demand still underpins the platinum and palladium price, but, given that many of these companies have not even established their reserves, there is good reason to be cautious about expectations.

There is also a possibility that several of these junior miners may consolidate in order to build both financial and prospecting scale, and, logically enough, geographical proximity makes such consolidation attractive for some companies. PTM's prospects lie adjacent in some areas to those of Wesizwe Platinum, and there are many similar examples. In April, Wesizwe bought explorer Africa Wide, giving it a further 26% stake in the Western Bushveld Joint Venture with PTM and Angloplat. Eland's project is bordered by Barplats – now owned by Canada's Eastern Platinum – and Nkwe Platinum and the Madibeng platinum group. Australia's Nkwe Platinum (listed on the ASX in Australia) plans to become an independent platinum producer with a hoped for output eventually of 1 Moz/year. Nkwe's projections were not included in the possible 1.7 Moz future production scenario because it is in dispute with Angloplat about five farms, on what is known as the Genorah prospect. The Genorah area neighbours include Aquarius, Platmin, Eastern Platinum and Eland Platinum. African Platinum was also a neighbour but it has already been swallowed by Implats. Platmin, listed on the Toronto Stock Exchange, has four key projects on the Bushveld. On its Pilanesberg prospect it says there is potential for several open pits, but has yet to give a development timetable. The other three Platmin prospects are at earlier stages of development. Ridge Mining, which is listed on AIM, should start producing 4E on its Blue Ridge project next year, aiming for annual production of 120,000 pgm oz/year. Another Ridge Mining project known as Sheba's Ridge, where a large open pit mine is proposed, is scheduled to start producing in 2010 and, as well as output of 24,000T of nickel and 12,000T of copper annually, is expected to produce 400,000 pgm oz/year. Aquarius, which also has a share in the Mimosa Zimbabwean pgm operation, wants to add more reserves to boost production from its current level of around 550,000 pgm oz annually, to 600,000 oz.

A fall from today's high prices will not halt plans

These junior mining projects would take an enormous amount of capital but the companies insist that, even at a much reduced pgm basket price from today's, these projects would remain viable. "We benchmark against majors. If the pgm basket price falls the projects would be sustainable. The basket price at Blue Ridge would mean it would be viable at a \$900/oz platinum price. Prices could fall 50% and we would get an adequate return," according to Terence Wilkinson, CEO of Ridge Mining. Even with the high palladium content in the Plat reef, (compared to the Merensky or UG2), where Ridge will mine, Ridge is confident that a significant dip in the palladium price will not necessarily prevent its projects from achieving adequate margins. They also correctly argue that the bankable feasibility studies for their mines were carried out at a time when both the platinum and palladium price, as well as the other metals which make up the pgm basket, were much lower.

But if price falls would not dent their hopes, these juniors might find themselves constrained by the fact that control over smelting capacity lies with the big boys on the block – Angloplat, Implats and Lonmin. Some of the juniors have begun making noises about the need for South Africa's pgm sector to build new smelting capacity. Terence Wilkinson has for some time been talking about the need for another independent refiner. At the moment, any company which mines pgms in South Africa has to pay one of the three major platinum producers about 20% of the sale price of their processed metal to get access to a refinery – a significant cost when margins may, in the future, shrink as costs escalate and prices slip from their recent highs. Ridge is in talks with Mintek, the South African government-controlled mining technology development company, and Australia's Independence Platinum, which are testing a new refining technology known as the ConRoast process, with the prospect of building a plant. A \$15m three-year development programme is underway. Ridge has also had talks with South Africa's state economic development body, the Industrial Development Corporation about the possibility of it joining a project to build an independent smelter. If the ConRoast project does not take off, Ridge might consider building its own furnace.

Platinum supply and demand balance (000 ozs)

	2001	2002	2003	2004	2005	2006	2007f
Supply							
Mine Supply	5,340	5,742	5,903	6,135	6,362	6,796	7,045
Russian stock sales	511	188					
Scrap Recycling	506	575	625	843	815	904	967
Total Supply	6,357	6,505	6,528	6,978	7,177	7,699	8,012
Demand							
Auto	2,243	2,664	2,860	3,080	3,191	3,445	3,558
Jewellery Fabrication	2,286	2,871	2,670	2,185	2,065	1,910	1,995
Petroleum Refining	121	107	124	195	288	303	266
Electronics	446	441	437	432	445	480	486
Chemicals	258	264	271	287	312	327	334
Glass	337	265	266	320	371	377	387
Other	445	447	443	460	470	489	508
Total Demand	6,135	7,058	7,071	6,959	7,142	7,331	7,534
Residual (Supply less Demand)	222	-553	-543	18	35	368	478

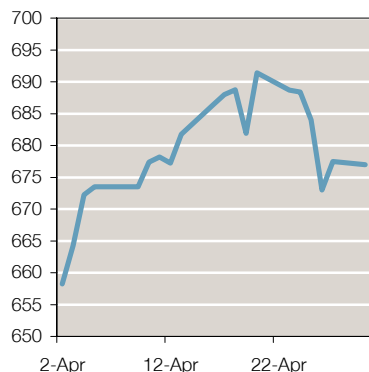
Source: Virtual Metals, "The White Book"

In any case, the expectation is that the platinum price will remain strong for the rest of this year at least. Our latest estimate is that the global market will have a slightly bigger surplus in 2007 – of 478,000 oz – than in 2006, when we calculate the surplus was 368,000 oz. The case for palladium is less encouraging; we see a surplus in 2007 of 1.048 Moz, slightly less than that of 2006 (1.077 Moz) but nevertheless sufficient to keep the price under some restraint, barring irrational exuberance on the part of investors. With the world turning towards more diesel-fuelled transport vehicles and no obvious dramatic

increase in substitution of palladium for platinum in diesel autocatalysts, combined with ever-tightening legislation on emissions controls, platinum's prospects remain very strong – especially as the brave steps forward of a number of today's juniors may yet stumble.

Gold

Gold price (\$/oz)



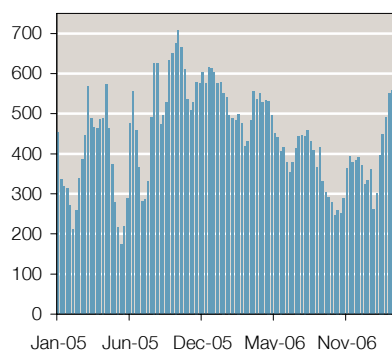
Source: London Bullion Market Association

- May 1st: Barrick Gold reported a loss of \$159m for Q1 2007 (vs. profits of \$224m for the same period in 2006), attributable to its decision to close its non project-related hedge book at a cost of \$557m. Its Q1 production was 2.03 Moz and it expects total output in 2007 to be within its previous forecast of 8.1 Moz-8.4 Moz.
- Apr 30th: Mexico’s gold production in February fell 3.8% to 2,274 kg, compared to the same month last year.
- Apr 30th: Australia’s Newcrest cut its production forecast for its Telfer mine to 620,000 oz for 2006-2007.
- Apr 27th: Newmont Mining reported its Q1 2007 net income as being \$68m lower than the \$209m reported in the same quarter last year. It reiterated its production estimate for this year of 5.2 Moz-5.6 Moz.
- Apr 10th: China’s gold production in January and February rose 14% compared to the same period in 2006, according to the China Gold Association.

Analysis

- Falling production, price eases back

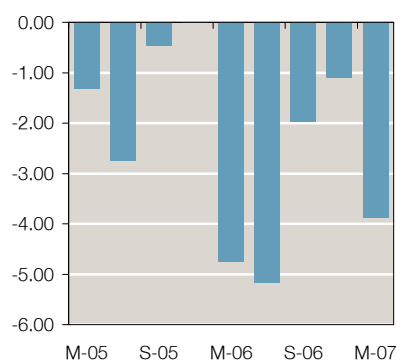
Comex: Non-commercial net position (tonnes)



Source: Virtual Metals

A sluggish USA economy induced a weakening dollar for much of April and helped gold nudge its way back almost to \$700/oz. On 1st May, relatively healthy manufacturing data from the USA freshened up the dollar and gold dropped 1%, the June-dated Comex contract settling \$6.20 lower at \$677.30/oz, having traded earlier that day in a \$674.60/oz-\$682.30/oz range. Investors have also taken greater note of declining global output – down in 2006 to its lowest in ten years at 2,471t. Although a rise in mine output is expected this year it is likely to be only a marginal recovery. Volatility at a relatively high price is taking its toll on physical buying in key offtake centres; Turkey’s gold imports in April fell 14.2% to 12.2t against the same month last year, and the overall figure for the first four months of 2007 shows a 2% decline, year-on-year, to 49.4t. Spot gold prices hit a 26-year peak of \$730/oz last May and although they have never seen anything like that since, the price has nevertheless risen almost 15% so far this year, encouraging wariness among buyers. In the United Arab Emirates some traders feel sales volumes could still fall some 10% in 2007, which would be the second consecutive year of such a drop, although in value terms at these high prices the picture is rather better. The buying of gold for jewellery is waning but the emergence of gold ETFs and continued investor buying is taking up some of the slack.

Gold dehedging (Moz)



Source: Virtual Metals

Outlook

Gold rallied in April but lost ground towards the end of the month. The weaker dollar is to some extent making USA equities good value for foreign investors, sucking in some investment that might otherwise have gone to gold. A pattern has emerged in which \$700/oz currently represents a strong barrier – the closer it is approached, the more physical selling and investor profit-taking. We expect this to persist for the immediate future. Short-term London daily pm fix: \$650/oz-\$700/oz.

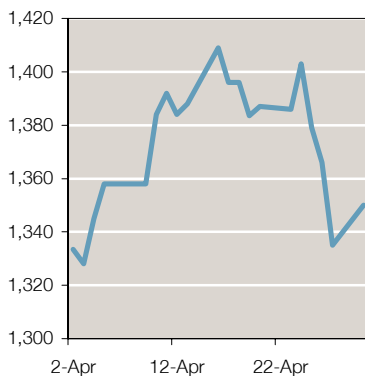
Market data (April unless stated)

Prices	US\$/oz	Euro/oz	Rand/kg	ETF investment	Ounces	Lease rates	1m	3m	6m	12m	Option volatility (end month, %)	
Average	679	503	154,382	US	301,895	Average	0.11	0.14	0.17	0.17	1-month	14.75
High	691	509	156,943	UK	29,257	High	0.12	0.15	0.18	0.20	3-month	15.50
Low	658	492	151,246	Aus	3,858	Low	0.10	0.12	0.15	0.13	6-month	15.90
				S.Africa	-						12-month	16.30

Source: Prices: London Bullion Market Association, Others: Virtual Metals

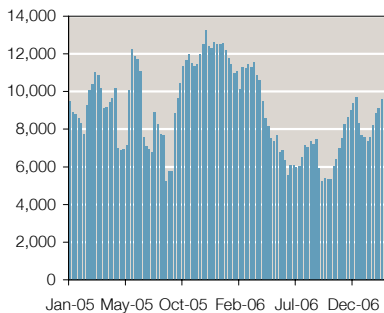
Silver

Silver price (cents/oz)



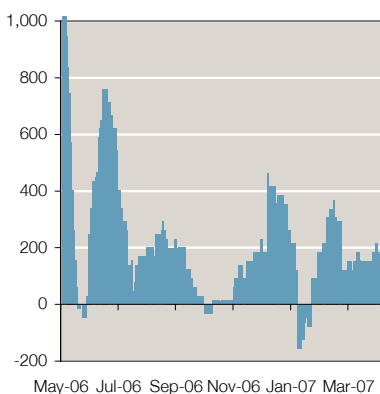
Source: London Bullion Market Association

Comex: Non-commercial net position (tonnes)



Source: Comex

Rolling monthly silver ETF offtake (tonnes)



Source: Virtual Metals from BGI

News

- Apr 30th: Mexico's silver production in February was 153,594 kg, 23.7% lower than the same month in 2006, and continuing a recent trend of lower output.
- Apr 30th: Azco Mining plans to proceed with the production at its Summit silver/gold deposit in south-western New Mexico, after a pre-feasibility study. The mine is expected to produce 120,000 tonnes of ore a year.
- Apr 26th: Silver Wheaton reported Q1 2007 profits rose 80% on higher silver sales and prices, at \$24.9m, from the sale of 3.3 Moz of silver, against profits of \$13.8m on the sale of 2.7 Moz of silver in the same quarter for 2006. Silver Wheaton expects total 2007 sales of 15 Moz, rising in 2009 to 23 Moz and by 2012 to more than 28 Moz.
- Apr 25th: Hochschild Mining reported output of 2.6 Moz (and 43,000 oz of gold) in Q1 2007 and said it is on track to deliver 26 Moz of silver equivalent in 2007, which would be a rise of 11% and equate to about 14 Moz of silver and 200,000 oz of gold.
- Apr 24th: Canada's European Goldfields agreed to sell silver produced from its Stratoni mine in Greece to Silver Wheaton. Silver Wheaton will pay \$57.5m in cash to European Goldfields' Hellas subsidiary.

Analysis

- Limited impact from Peru's national strike

Goldcorp agreed to sell 25% of the silver produced at its Penasquito project in Mexico to Silver Wheaton for \$485m. The project is due to start production late 2008 and should achieve full operation a year later. Goldcorp, one of the world's biggest gold producers, owns 49% of Silver Wheaton, which already buys all of the silver produced at Goldcorp's mines in Mexico. Silver Wheaton additionally agreed to pay Goldcorp an ongoing per-ounce operating fee of the lesser of \$3.90, subject to annual inflationary adjustments, and the prevailing market price per ounce of silver. Following this deal Silver Wheaton expects to have annual silver sales of 22 Moz in 2009, increasing to more than 26 Moz by 2012. Based on a feasibility study from July 2006, the Penasquito project has reserves of 17 years of gold, silver, zinc and lead production, with peak annual silver delivery to Silver Wheaton of 8.5 Moz. In Peru, where silver production has recently been rising strongly, a national strike hit parts of the mining industry. In the main, though, mining companies said they are unsure whether large enough numbers of miners are prepared to join the strike, and that it may fizzle out quite rapidly with minimal impact on production. Peru's second largest silver miner, Hochschild Mining, said the strike had limited effect.

Outlook

Stronger prices for precious metals generally helped silver push through \$14/oz in April, but this was a brief foray. Silver is likely to track gold's movements in the coming weeks – Peruvian strikes notwithstanding. Short-term London daily fix: \$13.40/oz-\$14.20/oz.

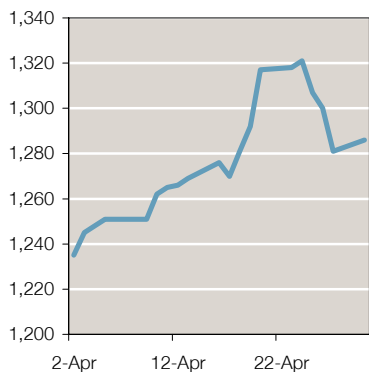
Market data (April unless stated)

Prices	c/oz	e/oz	p/oz	Imports	kg	Lease rates	1m	3m	6m	12m	Option volatility (end month, %)	
Average	1,373.5	1,017.0	691.2	USA (Feb)	462,737	Average	0.01	0.13	0.53	1.09	1-month	24.50
High	1,409.0	1,041.3	708.1	Japan (Mar)	291,845	High	0.04	0.16	0.59	1.17	3-month	26.50
Low	1,328.0	977.9	668.2	China (Mar)	550,588	Low	-0.01	0.10	0.49	1.02	6-month	28.00
											12-month	28.75

Source: Prices: London Bullion Market Association, Others: Virtual Metals

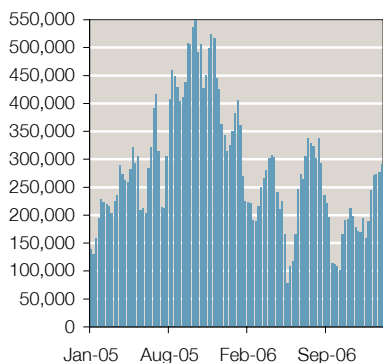
Platinum

Platinum price (\$/oz)



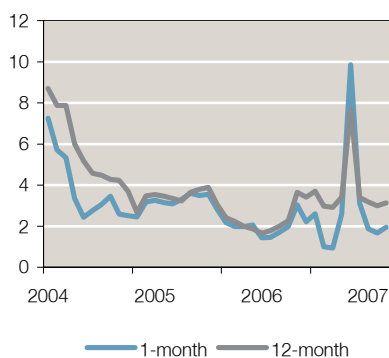
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

Platinum lease rates



Source: Reuters Ecowin

News

- May 8th: A South African court ordered strikers to return to work at Northam Platinum’s mine; the unofficial strike has caused lost output of 6,600 pgm ozs according to the company.
- May 2nd: Lonmin may more than double the size of its newly acquired platinum Limpopo phase 2 project in South Africa, with the aim of producing around 85,000 oz/year.
- Apr 24th: The UK-based ETF Securities launched five new exchange-traded products, including the first platinum and palladium ETFs. By 1st May offtake was 8,370 oz compared to the launch figure of 4,800 oz.
- Apr 25th: Lonmin said its 1H production fell 27.8% year-on-year after refinery problems earlier in the year, with total output for the period at 513,278 oz; it expects full-year sales of 980,000 oz-1 Moz.
- Apr 18th: Zurich Cantonal Bank (ZKB) plans to launch a platinum ETF in May.

Analysis

- Finally – a platinum ETF

The long-standing rumour of a platinum ETF finally took flesh in April and helped the price rise to higher levels, although not quite the price levels seen when the rumour of an ETF first emerged in late 2006. This introduces a new investment element to the platinum market, although it has got a resounding thumbs-down from a number of platinum producers. Their view – and unlike gold or silver, it has some justice – is that platinum ETFs will create considerably more volatility and in effect be the goose that finally kills the golden egg. Platinum miners’ main interest, after all, is in seeing their metal retain its currently critical place in industrial offtake, especially diesel car autocatalysts. A successful ETF by definition holds out to investors the lure of a rising price – to the possible detriment of platinum offtake both in industry and in the jewellery market. Consumers are increasingly baulking at the price of platinum jewellery, and white gold and palladium are winning some of the market share. Nonetheless, Lonmin’s CEO, Brad Mills, reluctantly conceded that a platinum ETF was an “inevitable evolution”.

Outlook

Those producers who have commented publicly about the platinum ETFs have been lukewarm at best. They are happy with the buzz of investor interest created but less happy with the possibility of greater price volatility. The producers’ particular worry is the threat to platinum demand for autocatalysts and, to a lesser extent, jewellery. Penetration of diesel fuelled vehicles in the USA market is currently just 4% compared to an average 50% in Europe. But if diesel grew to 10% in the USA then the additional annual platinum demand could be as much as 300,000 oz. With prices this high, any spikes would rapidly dent already weak jewellery demand and hasten platinum substitution in autocatalysts. London daily pm fix short-term: \$1,300/oz-\$1,400/oz.

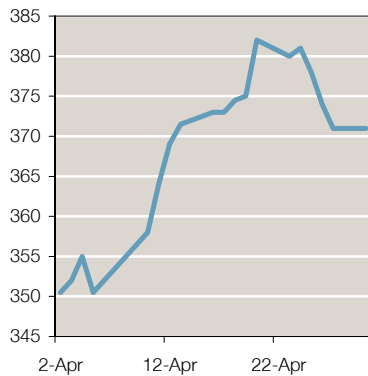
Market data (April unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trade (kg)	Imports	Exports	Option volatility (end month, %)	
Average	1,276	Average	2.0	2.7	3.2	3.5	USA (Feb)	8,674	3,403	1-month	23.5
High	1,321	High	2.1	3.1	3.6	4.0	Japan (Mar)	7,272	2,535	3-month	24.5
Low	1,235	Low	1.8	2.6	2.9	3.2	Hong Kong (Jan)	2,057	430	6-month	26.0
							Switzerland (Mar)	2,310	7,683	12-month	27.4
							China (Mar)	4,229	0		23.5

Source Price: London Platinum and Palladium Market, Others: Virtual Metals

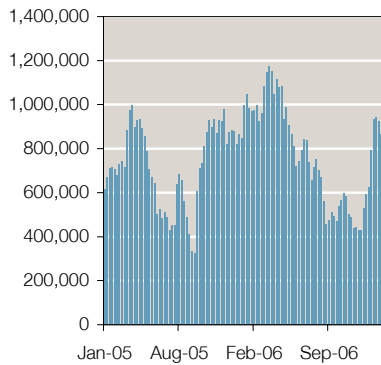
Palladium

Palladium price (\$/oz)



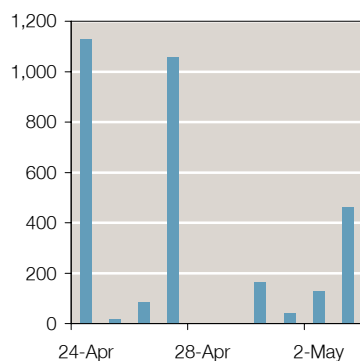
Source: London Platinum & Palladium Market

Nymex: Non-commercial net position (ounces)



Source: Nymex

Palladium ETF - ozs traded since launch



Source: ETF securities

News

- Apr 24th: London-based ETF securities launched the world's first platinum and palladium ETFs; the Zurich Cantonal Bank (ZKB) plans to launch a similar product in early May.
- Apr 16th: North American Palladium reported Q1 2007 palladium production rose 68% to 78,805 oz compared with 47,015 oz for the same period in 2006.

Analysis

- Palladium rises on ETF speculation

The firms launching the new platinum and palladium ETFs made their own tentative estimates about the likely offtake, with ZKB saying they had purchased in advance 70,000 oz of platinum and 200,000 oz of palladium, for the first year. ETF securities suggested \$100m for each product in its first year, which is around 75,000 oz of platinum and just over 250,000 oz of palladium. In November 2006, when a platinum ETF launch was first discussed, Virtual Metals estimated likely offtake based on the performance of the gold and silver ETFs, adjusted for the relative size of the platinum market. We used four metrics for this relative size: total supply; bar and coin demand; Nymex or Comex open interest; and stock market capitalisation. These gave estimates of first year offtake of between 93,000 oz and 3.4 Moz of platinum, although we argue that the best indicator was Nymex/Comex open interest and thus a likely offtake was 100,000 oz-150,000 oz. We did not make an estimate for palladium, as no palladium ETF was expected at that time. Using the same measure we thought most accurate for platinum, Nymex open interest, our estimate would be 300,000oz-450,000 oz. Although the palladium price has recently been rising, the USA-based palladium miner Stillwater nevertheless reported a Q1 net loss of \$1.1m, against a profit of \$0.6m in Q1 2006, on output of some 144,000 oz of pgms during Q1 2007, slightly lower than the 146,000 oz for the same period last year. The company's average realisation on palladium sales from mine production was \$377/oz during the quarter, compared to \$360/oz per ounce for the same period in 2006. Stillwater is stepping up its recycling of autocatalysts, processing some 87,000 oz of pgms from recycled catalytic materials in Q1 2007, versus about 60,000 ounces in the first quarter of 2006.

Outlook

In April, palladium climbed to its highest level since May last year of \$382/oz in April. The average price for the month was \$368.80/oz. By the end of April palladium had lost some ground but was still trading in the mid \$360s/oz at the start of May. Obviously the new ETF might induce some investors to switch from Nymex to this new vehicle and we will be watching for this over the coming months. By the week ending 24th April Nymex and Tocom palladium fans had raised their total net investment on Nymex by 121,800 ozs, while Tocom investors added 17,104 oz, a 21% increase on their holdings of the previous week. London daily pm fix short-term: \$350/oz-\$400/oz.

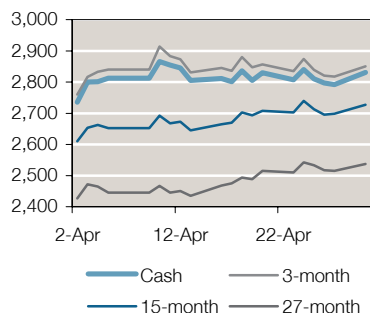
Market data (April unless stated)

Prices	US\$/oz	Lease rates	1m	3m	6m	12m	Trades (kg)	Imports	Exports	Option volatility (end month, %)	
Average	368.6	Average	0.00	0.04	0.13	0.20	USA (Feb)	9,596	8,125	1-month	24.5
High	382.0	High	0.07	0.11	0.17	0.43	Japan (Mar)	250	1,442	3-month	28.0
Low	350.5	Low	-0.08	-0.05	0.10	-0.01	Hong Kong (Jan)	965	267	6-month	32.0
							Switzerland (Mar)	1,922	5,647	12-month	34.0
							China (Mar)	1,553	0	24-month	36.0

Source: London Platinum and Palladium Market, Others: Virtual Metals

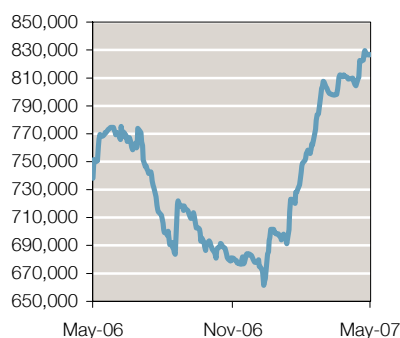
Aluminium

Aluminium price (\$/tonne)



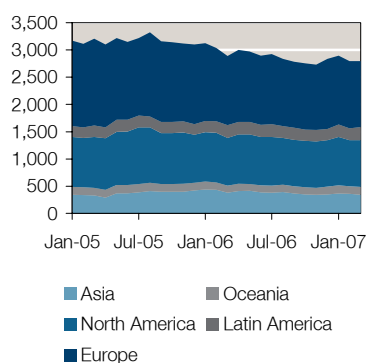
Source: London Metal Exchange

Aluminium stocks (tonnes)



Source: London Metal Exchange

Global stocks aluminium (000 tonnes)



Source: Reuters Ecowin

News

- May 7th: Alcoa launched a hostile bid for Alcan, valuing the company initially at \$27bn. If the two merged the combined entities would control an estimated 25% of global alumina and primary aluminium markets.
- May 7th European Union ministers approved proposals to halve (to 3%) the EU-wide tariff on imported primary aluminium with effect by mid-May.
- Apr 27th: BHP Billiton bought a 33.3% interest in Global Alumina's Sangaredi Refinery Project in Guinea for \$140m. The project involves the construction and operation of a 3 Mt/year alumina refinery and a 9 Mt/year bauxite mine.

Analysis

- China's flexible producers

A 15% export tax (introduced last year in part to slow growth in the country's energy-intensive primary aluminium sector) on unwrought aluminium has had the desired effect; exports of unwrought metal fell 71% year on year in Q1 2007. China, the world's biggest producer of aluminium, became a net importer of the metal for the first time in Q1, with Chinese demand showing no sign of waning. According to the International Aluminium Institute (IAI) output from Chinese smelters grew 39% year on year in Q1 2007. Smelting capacity continues to rise, outstripping the increase in demand, but there is little worry of massive over supply as much of the capacity will have come on stream this year. Alcoa said it expected consumption to grow 7.7% year-on-year. But China's aluminium industry has shown remarkable flexibility and, in response to the higher export tax on primary metal, the country's aluminium producers have been rapidly switching to production and exports of aluminium products, exports of which rose a breathtaking 89% year-on-year in Q1 2007. China may now cut the tax rebate on aluminium products, as the country continues its drive to curb exports of products requiring high electricity input. Total stocks of all forms of aluminium at western world smelters (excluding finished end-products) fell to 2.887 Mt at the end of March, according to the International Aluminium Institute (IAI). That compares with a revised 2.906 Mt in February and 2.997 Mt in March 2006. Unwrought metal stocks fell to 1.522 Mt versus a revised 1.570 Mt and 1.590 Mt respectively. Including China, daily primary aluminium output was 98,200t in March, down from a revised 100,200t in February and higher than the 88,000t in March 2006. Output in the whole of March, also including China, was 3.045 Mt versus a revised 2.806 Mt in February.

Outlook

Given the robust LME stocks, up more than 60% since November 2005, aluminium prices are expected to hold around current levels in May, slipping later in the year. We consider prices will be range-bound for some time to come, with many new projects outside set to come on-stream in the next two years. LME 3-month contract short-term: \$2,750/t-\$2,850/t.

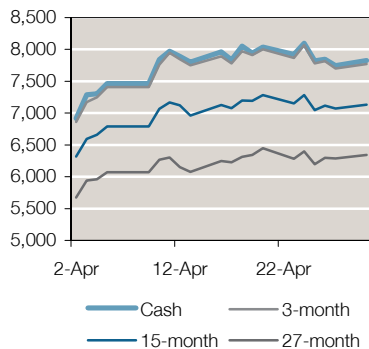
Market data (April unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	Prod (kt)	Feb	Mar	LME Open Interest (contracts)	
Average	2,813	2,844	2,680	2,480	Mar-07	811,200	Europe	655	727	Aluminium	805,275
High	2,865	2,914	2,740	2,543	Apr-07	826,525	Americas	611	689		
Low	2,735	2,760	2,610	2,427			Asia	283	311		
							Other	321	353		
							Total	1,870	2,080		

Source: London Metal Exchange, except Production: International Aluminium Association

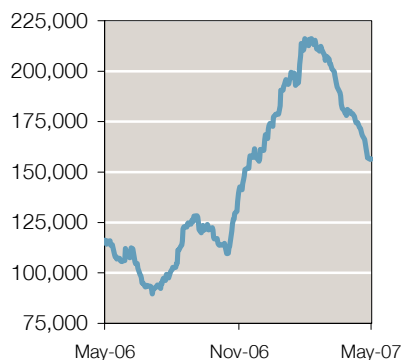
Copper

Copper price (\$/tonne)



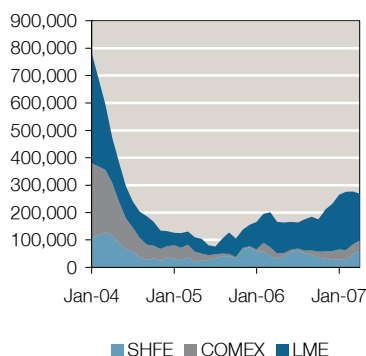
Source: London Metal Exchange

Copper stocks (tonnes)



Source: London Metal Exchange

Other exchange copper stocks (tonnes)



Source: Reuters Ecowin

News

- Apr 27th: Rio Tinto said mined copper fell 3% to 197,900 tonnes from the March quarter last year. Refined copper production rose 19% to 101,600t in the March quarter.
- Apr 27th: Southern Copper reported Q1 2007 net income of \$563.5m, against \$421.6m in Q1 2006. Stronger prices and output, up 6% in the period, drove the increase.
- Apr 18th: Minera Cerro Dominador (MCD), a Chilean copper producer, may invest \$3.5m to increase its cathode production capacity by 10,000t/year, lifting MCD's capacity to 13,500t/year, according to an environmental impact study.
- Apr 13th: Zambia's finished copper production fell 9.3% in Q1 2007. Output fell 114,239t in the three month to the end of March. This compares with 125,880t in Q1 2006.
- Apr 13th: Chile's customs office said the country's Q1 2007 output increased 6.8% to 1.34 Mt from 1.25 Mt for the same period of 2006.
- Apr 2nd: Japan's largest copper producer, Pan Pacific Copper, plans to produce 310,000t of copper cathode in the first half of fiscal 2007, a rise of 6.2% from the corresponding period in 2006.

Analysis

- China's imports soar

Copper struck a fresh seven-month high of 8,100mt on the LME in the middle of the month as the market focused on strong demand from China, the world's biggest consumer of the metal. Also fuelling prices, the LME reported another hefty fall in stocks stored in warehouses across the globe. On 3rd May LME copper inventories were down 15% on stock levels a month earlier. China's imports of copper exceeded those of February, with imports of copper and semi-finished products reaching 307,740t in March. Antofagasta, which has three copper mines in Chile, said production fell by 1% in the first quarter. Production was 105,000t compared to 107,000t a year earlier. Production set-backs such as this, together with falling stock levels and positive economic data (USA factory orders rose by 3.1% in March) are all helping to underpin the copper price in the short term. The world's major copper producers continue to grow and replace copper production. Anglo American's acquisition of the Peruvian miner, Michiquillay, at what may retrospectively prove to be at or near the top of the market, is an indicator of long-term confidence in the metal's prospects.

Outlook

In the short term we expect copper to trade in a fairly tight range as investors try to detect which way the trend is headed. Rising refined copper production could match growth in demand in the coming months and the market may move into a much bigger surplus later in the year, depressing prices. However, industrial action and production difficulties may prevent a softening in the metal's price to below \$7500/t in the short term. LME 3-month contract short-term: \$7,500/t-\$8,200/t.

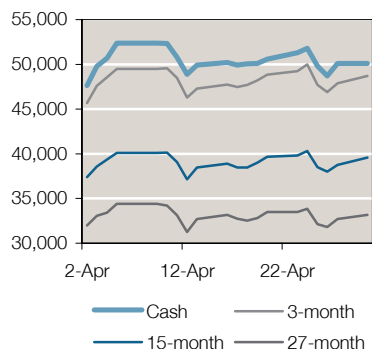
Market data (April unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	7,738	7,681	6,997	6,188	Mar-07	181,075	Copper 367,726
High	8,100	8,069	7,285	6,450	Apr-07	156,550	
Low	6,916	6,850	6,320	5,675			

Source: London Metal Exchange

Nickel

Nickel price (\$/tonne)



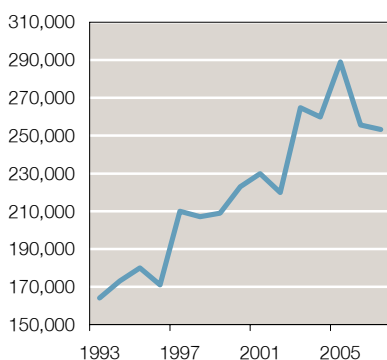
Source: London Metal Exchange

Nickel stocks (tonnes)



Source: London Metal Exchange

Norilsk nickel output (tonnes)



Source: Reuters Ecowin

News

- May 7th: LionOre, the Canadian producer, said it preferred a \$4.8bn offer from Norilsk to an earlier \$4bn bid from Xstrata.
- May 1st: Aneka Tambang, Indonesia's second-biggest nickel miner, said its Q1 2007 ferronickel production increased 61% against the same period last year, to 4,352t; plans are for total output of 20,000t this year.
- Apr 26th: Chinese imports of primary nickel ore were 2.20 Mt in Q1 2007, and in March alone were 1.03 Mt, according to customs data.
- Apr 10th: Norilsk Nickel plans to process 30% more ore at its Polar division by 2011 in order to maintain output of the metal at today's levels.
- Apr 10th: Geovic Mining plans to start operations at a cobalt and nickel mine in Cameroon in mid-2009, with anticipated output of 3,000t of nickel/year.
- Apr 9th: China's Jinchuan Group and Australia's Albion agreed to a joint venture to develop the Munali nickel mine project in Zambia, the first in the country, with eventual expected annual production capacity of 8,500t.

Analysis

- Substitution threats grow

While nickel prices rose to a fresh record in April on supply-side worries, stainless steel makers are showing signs of retaliation. Consumers from South Korea to Finland are showing their irritation at the metal's staggering 46% price rise this year by ploughing investment into discovering ways of making stainless steel with less nickel or even none at all. Others are temporarily reducing production in the hope that nickel will sooner or later plunge. In the former camp, Korea's Pohang Iron & Steel (Posco) announced plans to boost sales of a nickel-free type of stainless steel to a monthly 10,000t next year. The company raised its stainless price again on 7th May (by 8.6%), the twelfth rise since the beginning of 2006, a trend that must be meeting customer resistance. In the latter camp, Finland's Outokumpu is cutting its Q2 2007 production and will sell from inventories instead. For nickel miners, an equally disturbing development may be the growing interest shown by China's stainless producers in procuring nickel ore themselves, rather than purchasing refined nickel. On 1st May there were reports that China had approached Indonesia about buying low-grade nickel ore that until now has been set aside and considered unusable. While previously taking Indonesian ore that contained just 2.5% nickel, requests are now being made for ore with just 0.9% of the metal. This is a trend that has been developing since the last half of 2006; in March this year, exports of laterite low-grade nickel ores containing nickel from the Philippines to China nearly tripled to almost 500,000t. Meanwhile, concerns about the adequacy of future supply – and when more supply will come on-stream – remain firmly in place.

Outlook

The LME 3-month contract price rose fairly steadily during April, posting a 6.7% gain and touching a record of \$51,200/t on 8th May. LME warehouse stocks remain exceptionally low. Add that to the latest news of project delays and any chance of a significant reversal in the short-term price of nickel is minimal, and we also expect a continued pattern of considerable volatility at high levels. LME 3-month short-term: \$42,000/t-\$55,000/t.

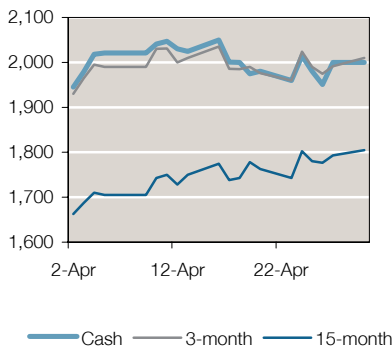
Market data (April unless stated)

Prices (\$/t)	Cash	3-month	15-month	27-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	50,468	48,183	39,041	33,085	Mar-07	5,232	Nickel 59,487
High	52,375	49,950	40,325	34,425	Apr-07	4,980	
Low	47,650	45,695	37,150	31,250			

Source: London Metal Exchange except Option volatility: Virtual Metals

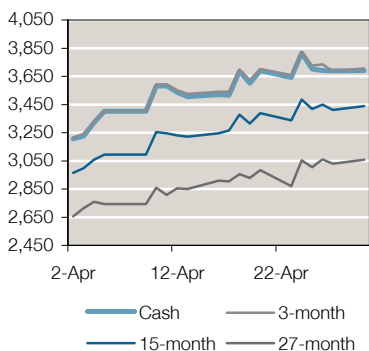
Lead and zinc

Lead price (\$/tonne)



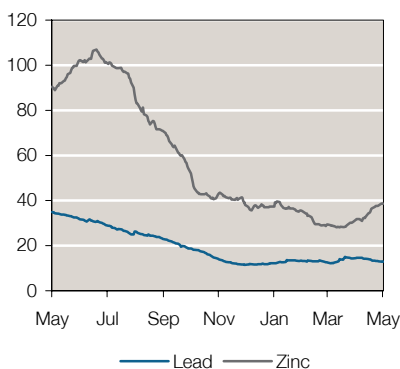
Source: London Metal Exchange

Zinc price (\$/tonne)



Source: London Metal Exchange

Stocks on LME (Jan. 1st 2004 = 100)



Source: Virtual Metals from LME

News

- May 2nd: Some confusion reigned over whether or not Xstrata can go ahead with its planned conversion from underground to open-cast mining at its McArthur River zinc mine in Australia. In April, the supreme court of the Northern Territory – where the mine is situated – overturned an earlier approval, but the state’s government has again authorised the project, although an appeal has been launched.
- Apr 27th: Russia’s Chelyabinsk Zinc Plant produced 40,145t of zinc and zinc-based alloy in Q1 2007, an increase of 15.5% year-on-year.
- Apr 13th: Following the re-entry of the state-controlled mining company Gecamines into the Kipushi Zinc project in the Democratic Republic of Congo, First Quantum and South Africa’s Exxaro Resources will decide during the next few weeks if they will take legal action to protect their interests in the project.

Analysis

- Chinese refined zinc exports rise again

Chinese exports of zinc continue growing, limiting upside potential for the metal in Europe, but it is beginning to look as if the Chinese government, as it did with low-grade zinc exports, may remove any rebate on exports of high-grade zinc. In time, this may curb exports. Chinese customs authorities said exports of zinc from China increased by 310.4% in Q1 2007, compared to exports in the same quarter last year; total export volumes for the quarter were 153,507t. Zinc is at something of a crossroads; while rising Chinese exports are putting a cap on higher prices, LME stocks have again been falling – by 3rd May zinc stocks on the LME had fallen 12% from levels seen a month ago – and the cash to 3-month zinc price has been in contango since the start of April. The national strike in Peru, the world’s third-largest producer of zinc, in early May looked like it might take a firmer hold among the country’s zinc mines; any enduring strike will quickly impact production and should give an additional boost to zinc prices. Although there are a number of new projects expected to come on-stream later this year we are still expecting a small refined zinc deficit in 2007. Worries persist about lead stock levels and the price – already firm in April – was headed higher in early May. Supplies from China – the world’s biggest lead exporter – are so far this year at their lowest for several years; in Q1 2007 Chinese refined lead exports were 43,278t, down 71.7% from the same period last year, while the country’s imports over the same period rose 10.6% to 6,811t.

Outlook

Three-month zinc prices on the LME averaged \$3,556/t in April. By early May that had risen over \$4,000/t. Further gains will hinge on movements in stock levels, as well as sentiment surrounding copper and nickel. The three-month lead price averaged \$2,035/t in April and any further signs that production problems in Australia will be extended, or that Chinese exports continue to trend lower than normal, could push the metal higher still. LME 3-month short-term: zinc \$3,700/t-\$4,300/t, lead \$1,900/t-\$2,200/t.

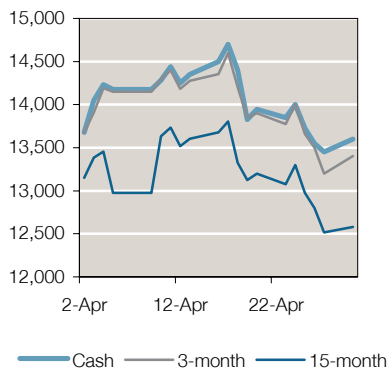
Market data (April unless stated)

Prices (\$/t)	Cash	Cash	3-month	3-month	LME stocks	LME Open Interest (contracts)	
	Lead	Zinc	Lead	Zinc		Lead	Zinc
Average	2,003	3,543	1,993	3,556	Mar-07	33,675	106,100
High	2,050	3,815	2,035	3,821	Apr-07	42,475	95,150
Low	1,945	3,206	1,930	3,215			

Source: London Metal Exchange except Option volatility: Virtual Metals

Tin

Tin price (\$/tonne)



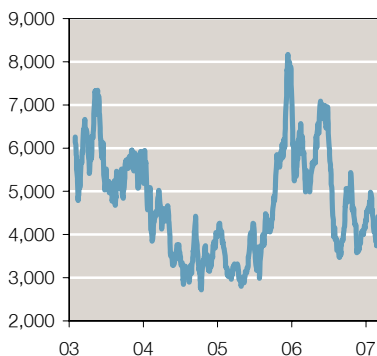
Source: London Metal Exchange

Tin stocks (tonnes)



Source: London Metal Exchange

Tin, LME, contracts volume traded
(Daily, 1-month moving average)



Source: LME

News

- Apr 30th: Indonesia's PT Timah said its Q1 2007 profit rose to 314.3bn rupiah (\$34.57m) from 11.6bn (\$1.27m) in the same quarter last year. The world's second-biggest tin miner and refiner sold 14,554t of refined tin in the quarter, against 9,614t a year earlier. Average prices received by the company – \$12,635/t – were 66% up on those in Q1 2006.
- Apr 23rd: PT Yinchenindo Mining Industry, an Indonesian tin producer, plans to export up to 8,000t of the metal this year after it received an export license.
- Apr 5th: Bolivia's state news agency reported that the Vinto tin smelter has maintained production at pre-nationalisation levels and that in March its refined tin output was 966t, up 14% on March last year.

Analysis

- Weaker price on Indonesian export licences

LME tin prices fell sharply during the second half of April as Indonesian supply looked set to resume, following moves by the government to give some companies permits to restart exports. This followed a sustained crackdown that began in October 2006 on smelting and mining activities that the state perceived as illegal. The government had (by 4th May) so far issued 12 export licences to smelters but as of 27th April PT Timah, the country's biggest exporter was the only one that had actually resumed exports. The crackdown in Indonesia will cut production in that country by as much as 30% to about 90,000t this year, according to estimates by the ITRI, the International Tin Research Institute. April also saw some supply disruptions in the Democratic Republic of Congo (DRC), where the government halted exports of cassiterite, an ore containing tin, from the region of North Kivu, for a week in mid-April, on the basis that the companies lacked the appropriate permits. Four companies have since paid for permits to treat tin ore, allowing them to resume shipments. On 3rd May the government of the DRC issued another 11 export licences to traders in the North Kivu province.

Outlook

While the LME 3-month tin price was little changed at the end of the month when compared with its close in March, at \$13,750/t, it is nevertheless significantly down on the 18-year high of \$15,100/t reached on 18th April. Some volatility can be expected while Indonesia's tin export industry gets back up to speed, but the stronger the indications that the situation in Indonesia is returning to normal, the more likely it is that prices will soften further. Stocks in LME warehouses are approaching their lowest since Q3 2005 and will take time to recover, even assuming Indonesian exports gather steam. Contingent on developments in Indonesia, we expect that we have seen the peak for tin prices for some time to come. LME 3-month contract short-term: \$12,800/t-\$13,200/t.

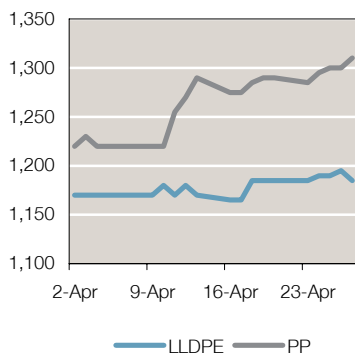
Market data (April unless stated)

Prices (\$/t)	Cash	3-month	15-month	LME stocks	Tonnes	LME Open Interest (contracts)
Average	14,065	13,992	13,228	Mar-07	9740	Tin 21761
High	14,700	14,600	13,805	Apr-07	8440	
Low	13,450	13,200	12,515			

Source: London Metal Exchange except Option volatility: Virtual Metals

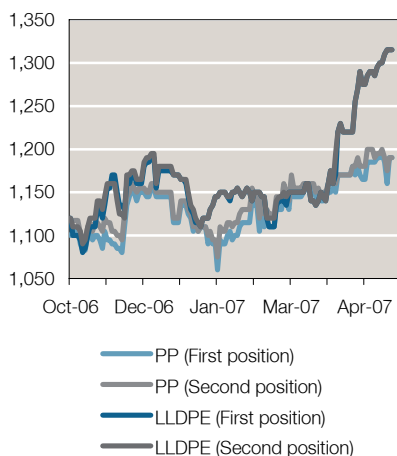
Plastics

Plastics prices, nearest contract, LME (\$/tonne)



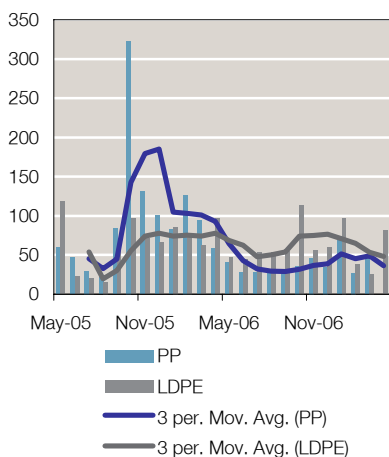
Source: Virtual Metals from LME

Plastics prices, various contracts, LME (\$/tonne)



Source: Virtual Metals from LME

Plastics prices, nearest contract, LME (\$/tonne)



Source: Reuters Ecowin

News

- May 1st: Oil prices slipped in early May on an expected increase in USA refinery output. Nymex crude futures slipped to \$64.40/barrel.
- Apr 24th: Demand for thermoplastics in Russia reached nearly 3.3 Mt in 2006 according to the UK-based plastics consultancy AMI. The Russian market in 2006 grew by more than 15% and has more than doubled since 2000.
- Apr 13th: General Electric plans to complete the sale of its struggling plastics unit in Q3 2007. The business has been valued, informally, at around \$10bn.
- Apr 10th: Reports in the business press suggested that a group of unspecified Middle East and USA private equity partners were preparing an offer to buy-out Dow Chemical with a price tag of as much as \$50bn. Dow denied the reports but said it was forming a joint venture with Chevron Phillips Chemical in the USA in styrenics (polystyrenes).
- Apr 4th: Lanxess, a Bayer spin-off company with operations in the USA and Europe, plans to raise its capacity for ethylene propylene synthetic rubber to 140,000t/year.

Analysis

- Plastic demand spurs petrochemical industry growth

The industry body, European Plastics Converters, reported in April that there is considerable potential for growth in the Romanian plastics processing industry. Romania has some 600 plastics converting plants, with total production capacity of 500,000t/year of plastic products. Plastics producers serving the automotive, food processing and construction sectors in western Europe are already based in Romania and others are likely to set up there, now that it has formally joined the European Union. EU membership will mean structural fund grants will be available in the country by the end of the year. Extrusion of film products is spearheading plastics use in Romania, although demand for injection moulding and pipe and profile extrusion is likely to grow, as investment in the country's infrastructure and housing increases. Elsewhere in the world, Saudi Basic Industries (Sabic) is reported to be investing heavily to expand its product range in the next few years, with the intention of capturing more market share of the rising demand for plastics. In another expansion, China Petroleum & Chemical Corporation received government approval to build an ethylene project in the Chinese city of Wuhan.

Outlook

LME plastic prices moved up marginally in April. The settlement price for PP averaged \$1,265.95/t and that for LLDPE averaged \$1,176/t. PP prices for the front-month contract gained \$95/t between the start of April and the end of the month, the gain largely tracking the steadily rising crude oil price. LLDPE front-month contract, on the other hand, actually lost \$10/t between the start and the end of the month, however. Any further upside will depend to a great degree on the oil price and, with it being slightly weaker at the beginning of May, we can't see much potential for significant price increases. Trading volumes were, once more, disappointingly low. LME short-term front-month prices: PP \$1,200/t-\$1,300/t, LLDPE \$1,190/t-\$1,300/t.

Market data (April unless stated)

Contract	Average prices (May)		Volumes (May)		Open Interest (contracts)		
	LLDPE	PP	LLDPE	PP (Apr)	LLDPE	PP	
First position	1,176.67	1,265.95	Daily av.	27	41	226	295

Source: London Metal Exchange

Indices

Precious and base metal prices

(1999 Avg.=base 100) 30 th April 2007	Current	Change from			1 Yr	5 Yr	
		1 M					
Gold (spot)	243	2% ↑	237	5% ↑	231	124% ↑	109
Silver (spot)	259	1% ↑	256	8% ↑	240	195% ↑	88
Platinum (spot)	340	3% ↑	329	12% ↑	302	137% ↑	143
Palladium (spot)	102	5% ↑	97	2% ↑	100	0%	103
Aluminium (cash)	208	1% ↑	205	3% ↑	202	107% ↑	101
Aluminium (3m)	205	2% ↑	202	3% ↑	199	105% ↑	100
Aluminium (15m)	190	2% ↑	186	5% ↑	181	89% ↑	100
Aluminium (27m)	174	1% ↑	171	4% ↑	166	74% ↑	100
Copper (cash)	497	13% ↑	441	8% ↑	460	392% ↑	101
Copper (3m)	484	13% ↑	428	10% ↑	442	383% ↑	100
Copper (15m)	425	11% ↑	382	12% ↑	380	328% ↑	99
Copper (27m)	369	10% ↑	336	10% ↑	335	274% ↑	99
Nickel (cash)	833	10% ↑	756	170% ↑	308	620% ↑	116
Nickel (3m)	802	11% ↑	721	164% ↑	304	600% ↑	115
Nickel (15m)	668	11% ↑	603	145% ↑	273	471% ↑	117
Nickel (27m)	570	10% ↑	517	130% ↑	248	381% ↑	118
Zinc (cash)	343	12% ↑	305	14% ↑	300	357% ↑	75
Zinc (3m)	339	13% ↑	301	16% ↑	293	348% ↑	76
Zinc (15m)	315	13% ↑	279	26% ↑	250	288% ↑	81
Zinc (27m)	279	12% ↑	249	36% ↑	206	232% ↑	84
Lead (cash)	398	3% ↑	385	68% ↑	237	323% ↑	94
Lead (3m)	394	4% ↑	378	66% ↑	237	315% ↑	95
Lead (15m)	342	7% ↑	319	58% ↑	217	255% ↑	97
Tin (cash)	252	-1% ↓	253	45% ↑	173	238% ↑	74
Tin (3m)	247	-2% ↓	253	43% ↑	173	230% ↑	75
Tin (15m)	232	-5% ↓	244	35% ↑	173	201% ↑	77

LME base metals stocks

(1999 Avg.=base 100) 30 th April 2007	Current	Change from			1 Yr	5 Yr	
		1 M					
Aluminium	105	2% ↑	104	12% ↑	94	-26% ↓	142
Copper	21	-14% ↓	24	33% ↑	16	-84% ↓	129
Lead	31	26% ↑	25	-57% ↓	74	-72% ↓	113
Nickel	9	-5% ↓	10	-82% ↓	50	-76% ↓	38
Tin	91	-13% ↓	105	-39% ↓	149	-77% ↓	394
Zinc	32	-10% ↓	36	-63% ↓	88	-83% ↓	190

USD exchange rates

(1999 Avg.=base 100) 30 th April 2007	Current	Change from			1 Yr	5 Yr	
		1 M					
European euro	79	-2% ↓	80	-8% ↓	85	-35% ↓	120
Canadian dollar	75	-4% ↓	78	-1% ↓	75	-30% ↓	106
Great British pound	81	-2% ↓	83	-9% ↓	89	-28% ↓	112
Japanese yen	105	1% ↑	103	5% ↑	100	-9% ↓	115
South African rand	118	-3% ↓	121	16% ↑	101	-35% ↓	181
Australian dollar	78	-3% ↓	80	-9% ↓	86	-35% ↓	121

Source: Virtual Metals & London Metal Exchange

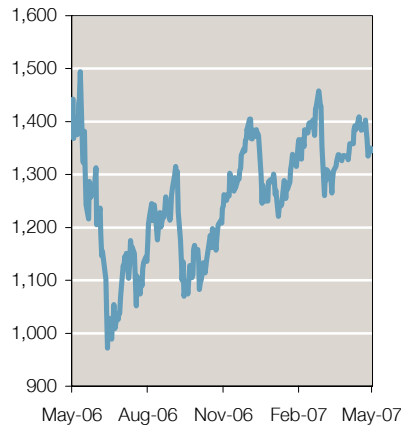
Prices

Gold (\$/oz)



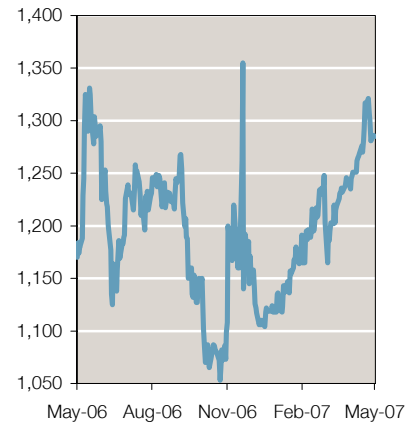
Source: London Bullion Market Association

Silver (cents/oz)



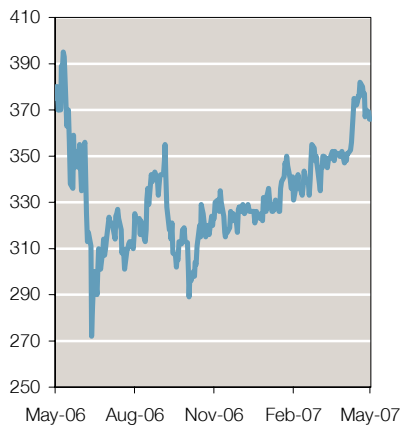
Source: London Bullion Market Association

Platinum (\$/oz)



Source: London Platinum & Palladium Market

Palladium (\$/oz)



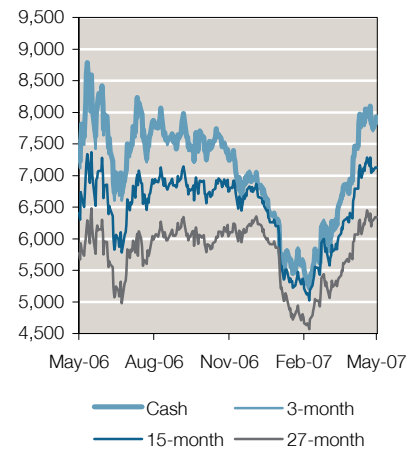
Source: London Platinum & Palladium Market

Aluminium (\$/tonne)



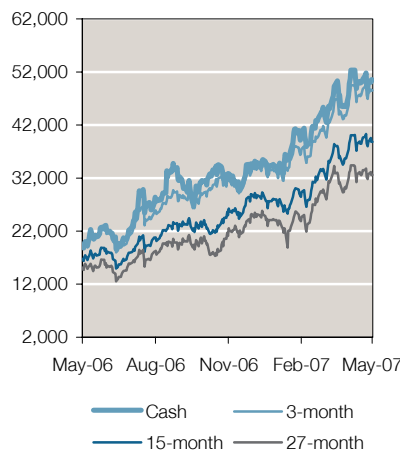
Source: London Metal Exchange

Copper (\$/tonne)



Source: London Metal Exchange

Nickel (\$/tonne)



Source: London Metal Exchange

Lead & zinc (\$/tonne)



Source: London Metal Exchange

Tin (\$/tonne)



Source: London Metal Exchange

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