

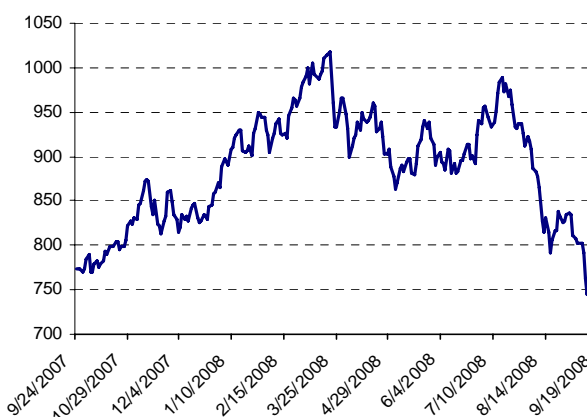
Metals Insights

Base Metals	19 Sep 08	Change	%
Aluminium H.G.	2535.00	-130.00	-4.88
Copper	7060.00	-62.00	-0.87
Lead	1900.00	-40.00	-2.06
Nickel	16950.00	-2300.00	-11.95
Tin	16950.00	-2500.00	-12.85
Zinc	1779.00	-107.00	-5.67
Copper, COMEX	317.65	-1.75	-0.55

Precious Metals	19 Sep 08	Change	%
Gold	864.70	100.20	13.11
Silver	12.48	1.68	15.51
Platinum	1147.00	-63.50	-5.25
Palladium	236.95	-5.85	-2.41

Market Commentaries

- Spotlight:** Gold surged on safe-haven buying as investors flee from riskier assets amid turmoil in the financial markets. Troubles at a number of financial firms last week shook financial markets worldwide with Lehman Brothers being the first to start the upheaval in the financial markets. The 158-year old company filed for bankruptcy protection after it failed to find suitable bailout. News of Merrill Lynch getting a bailout by Bank of America also weighed on equity markets worldwide as investors worry about the stability of the financial markets. A possible collapse of AIG, formerly the world's largest insurer by market value summed up a series of catastrophic events that sent investors rushing for safer treasuries and gold. However, towards the later part of the week, equity markets staged a strong rebound after the U.S. Federal Reserve offered an \$85 billion funding facility to keep AIG afloat while the U.S. Securities and Exchange Commission joined U.K., France Portugal and Ireland to temporarily ban short-selling of financial companies.
- Base Metals:** The base metals complex ended much lower on the week, underperforming other commodities amid spillover weakness from the demise of Lehman Brothers. Sumitomo Metal Mining, a top Japanese smelter, said it expects a global surplus in nickel this year of 26,000 tonnes, citing a slow recovery in stainless steel demand. Nickel declined almost 12 percent last week, second to only Tin, which fell by almost 13 percent in a broad metals sell-off. Copper dipped to an eight-month low on Wednesday as demand worries and financial turmoil prompted investors to liquidate riskier positions. The metal however staged a late week comeback, ending the week with minimal losses after the U.S. government announced plans to clean up the country's toxic mortgage debts.
- Precious Metals:** Gold made a record one-day gain of more than 10 percent on Wednesday as safe-haven buying spurred the precious metal to its biggest ever daily spot price rally. Losses in U.S. investment banking stocks and doubts over the government's bailout of insurer American International Group fueled fears over the outlook for the financial sector and the carnage in other markets sparked a flight to safer assets such as gold. Gold futures gained more than 13 percent and settled around \$864.70 an ounce while silver staged a larger percentage gain, rallying 15.5 percent to \$12.48 an ounce.

COMEX Gold (US \$/ounce)


Source: Bloomberg/Phillip Futures


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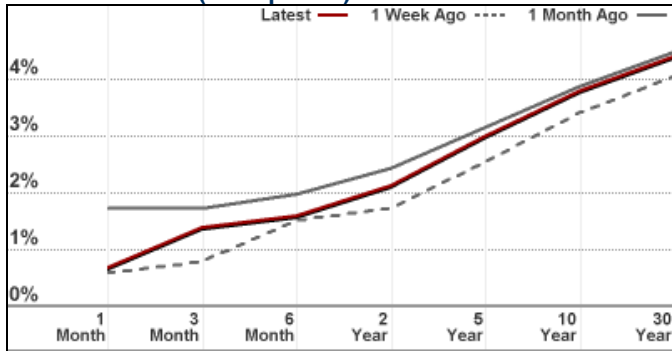
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Gold: Flight to safer assets

In our previous report, we wrote about gold possibly benefiting from the financial turmoil surrounding the markets at the moment and interests in the precious metal certainly soared in spectacular fashion, recording its largest one-day spot gain as global financial markets were rocked by news of troubled financial firms – Lehman Brothers, Merrill Lynch and AIG.

U.S. Yield Curve (22 Sep 2008)



Source: Financial Times

U.S. Treasury 3-month (22 Sep 2008)



Source: Wall Street Journal

Flight to Quality

Often in the news, we hear about investors rushing to ‘flight to quality’ assets such as government securities and money market funds. In times of financial instability, investors tend to liquidate riskier assets such as equities and turn towards safer assets such as Treasury bills, notes and bonds. These securities have different tenures and the yields of such treasuries are inversely related to its price. With regards to current market conditions, a rush for safer assets saw a sharp decline in the yields in the short end of the curve, meaning that the strong demand for near-term treasuries have weighed on yields thus indicating how much fear and concern there is in the markets. Risk aversion can be depicted in the sharp dip in yields for the 3-month treasuries on Wednesday, but the sharp reversal on Friday indicates a possible turnaround in risk appetite after the U.S. government announced several measures to clean up mortgage debts held by financial companies.

Spot Gold Chart



Source: Reuters/Phillip Futures

Safe Haven Gold

Last week, it was all about safe-haven buying as gold surged on risk aversion but can that trend continue or is it just another one-time wonder? If the yield curves reflect risk aversion like it should, the yields on the short-term 3-month treasuries seemed to have made a low and subsequently rebounding sharply on news on the U.S. government’s plans to contain the toxic mortgage debts and prevent it from spreading further. We saw a similar situation with the Bears Stearns debacle after which sharp falls were followed by consolidation after the Federal Reserve orchestrated the JP Morgan buyout of the failing Bears Stearns. Thus, could this be a similar scenario where Lehman’s demise and the government’s intervention mark a key point for the markets? Time will tell and we will probably want to follow what the U.S. government has in store to contain the financial crisis and prevent more failures in the financial industry. If risk aversion begins to fade, as we believe it should, then gold’s upward movement could see a turnaround as investors turn to other assets again. The sharp reversal in the yields should be a strong testament for that.

Gold Technicals

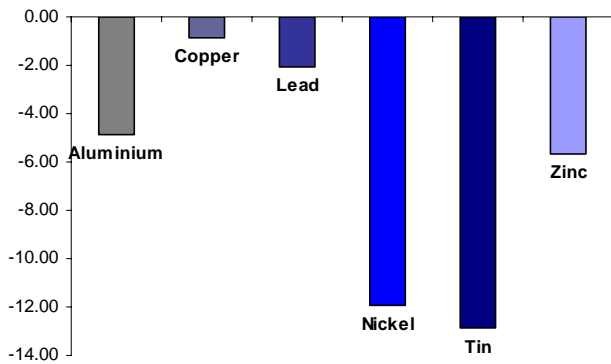
Gold is quite some distance off its 736 lows last seen earlier this month but it is significantly higher because of the sharp surge on safe-haven buying. In the near-term, the 900-905 regions provide strong resistance to further upside and a break above these levels could possibly see gold retest the highs above \$1,000. On the downside, support can be found around the 845 levels and sentiments are for gold to consolidate within the 845-905 levels should gold fail to move higher.

Weekly Metals Price Changes

Commodity	Exchange	Units	Price 19 Sep 08	Net Change 1 week	% Change 1 week	Net Change 1 month	% Change 1 month
Base Metals							
Aluminium H.G. (3mth)	LME	US \$/tonne	2535.00	-130.00	-4.88	-245.00	-8.81
Copper (3mth)	LME	US \$/tonne	7060.00	-62.00	-0.87	-516.00	-6.81
Lead (3mth)	LME	US \$/tonne	1900.00	-40.00	-2.06	100.00	5.56
Nickel (3mth)	LME	US \$/tonne	16950.00	-2300.00	-11.95	-2445.00	-12.61
Tin (3mth)	LME	US \$/tonne	16950.00	-2500.00	-12.85	-2800.00	-14.18
Zinc (3mth)	LME	US \$/tonne	1779.00	-107.00	-5.67	34.00	1.95
Copper	COMEX	US cents/tonne	317.65	-1.75	-0.55	-27.50	-7.95
Precious Metals							
Gold	COMEX	\$/ounce	864.70	100.20	13.11	38.90	4.67
Silver	COMEX	\$/ounce	12.48	1.68	15.51	-0.96	-7.06
Platinum	NYMEX	\$/ounce	1147.00	-63.50	-5.25	-275.70	-19.13
Palladium	NYMEX	\$/ounce	236.95	-5.85	-2.41	-49.85	-17.08

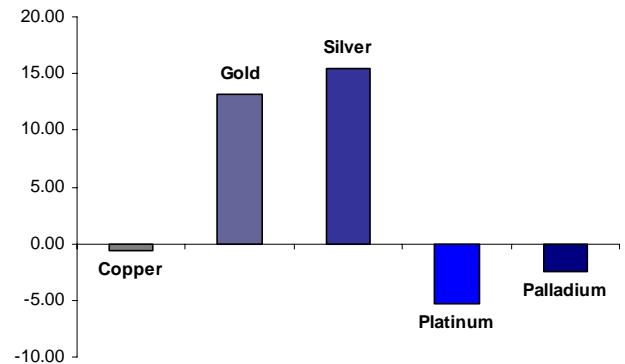
Source: Bloomberg/Phillip Futures

Base Metals Weekly Performance



Source: Bloomberg/Phillip Futures

Precious Metals and COMEX Copper Weekly Performance



Source: Bloomberg/Phillip Futures

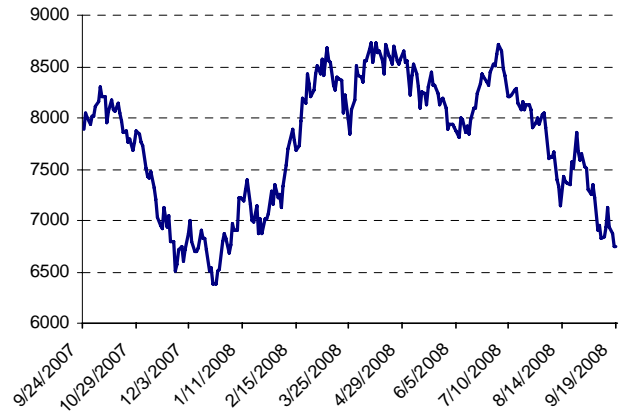
Base Metals Charts

LME Aluminium (US \$/tonne)



Source: Bloomberg/Phillip Futures

LME Copper (US \$/tonne)



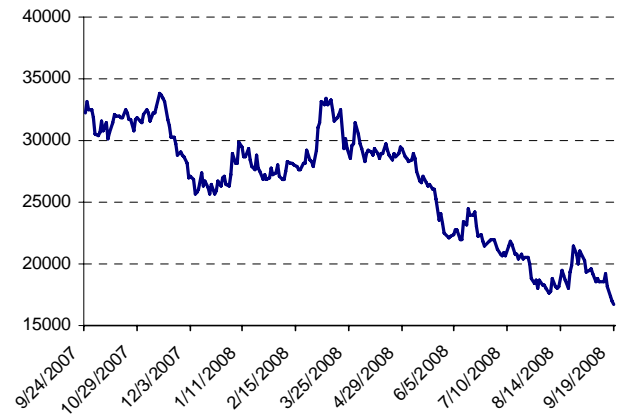
Source: Bloomberg/Phillip Futures

LME Lead (US \$/tonne)



Source: Bloomberg/Phillip Futures

LME Nickel (US \$/tonne)



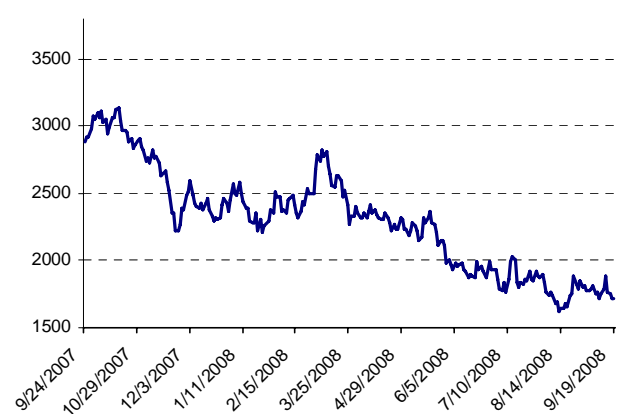
Source: Bloomberg/Phillip Futures

LME Tin (US \$/tonne)



Source: Bloomberg/Phillip Futures

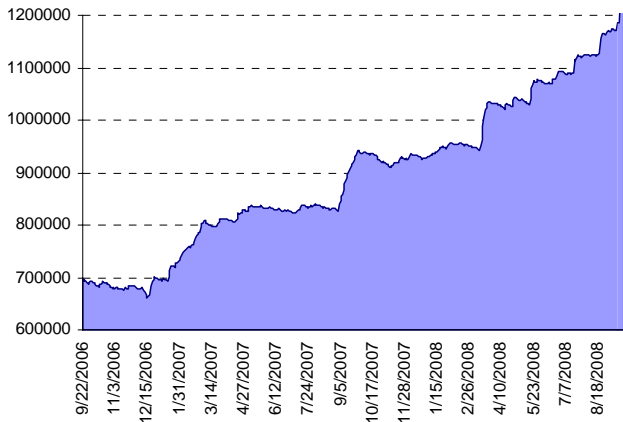
LME Zinc (US \$/tonne)



Source: Bloomberg/Phillip Futures

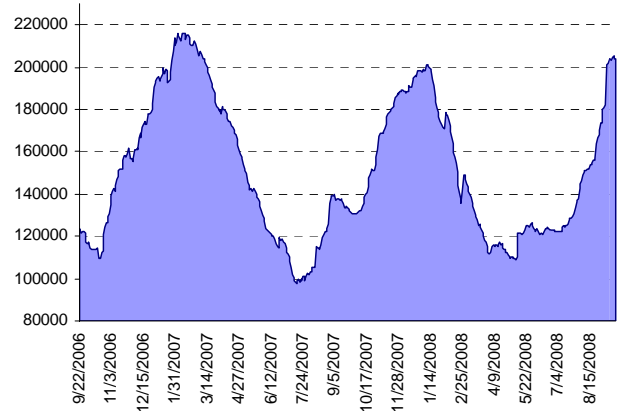
Base Metals Stocks

LME Aluminium H.G. (tonnes)



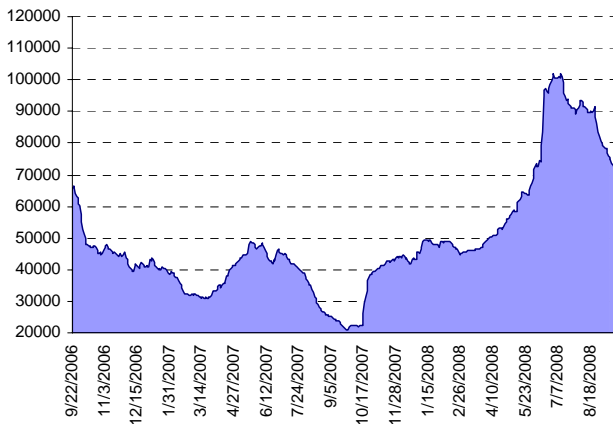
Source: Bloomberg/Phillip Futures

LME Copper (tonnes)



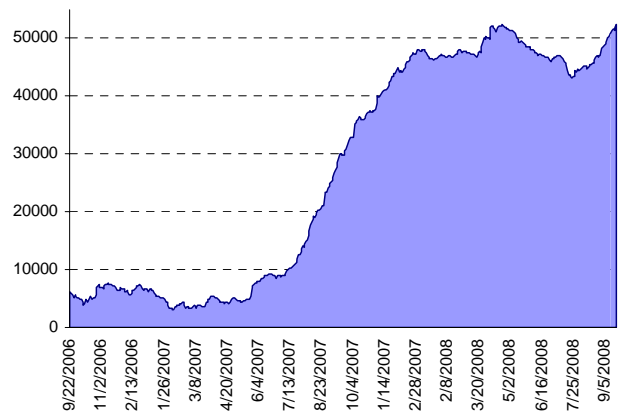
Source: Bloomberg/Phillip Futures

LME Lead (tonnes)



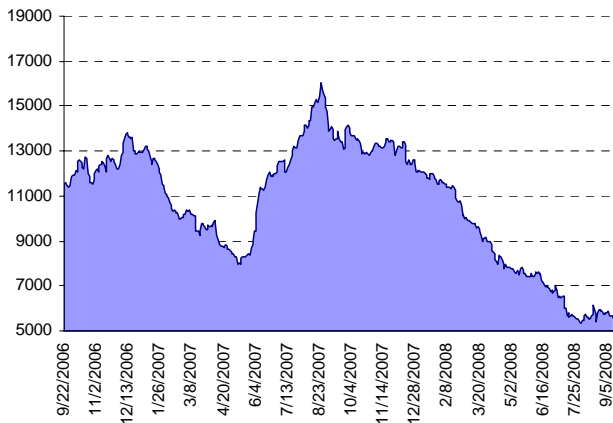
Source: Bloomberg/Phillip Futures

LME Nickel (tonnes)



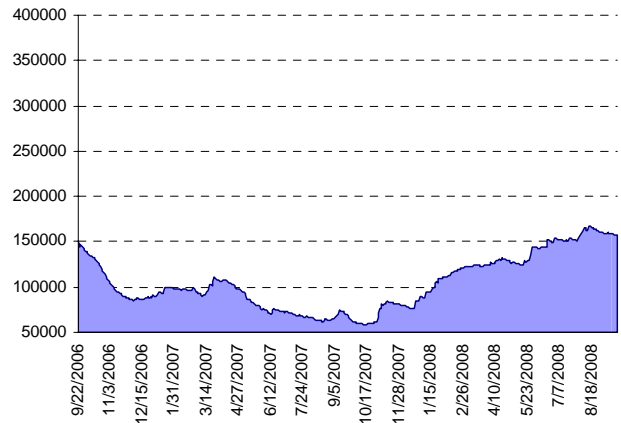
Source: Bloomberg/Phillip Futures

LME Tin (tonnes)



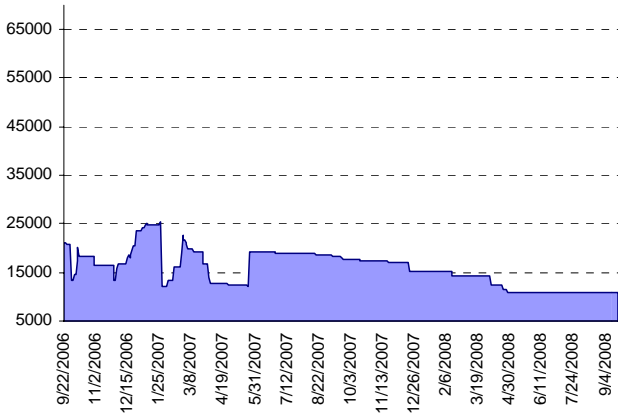
Source: Bloomberg/Phillip Futures

LME Zinc (tonnes)



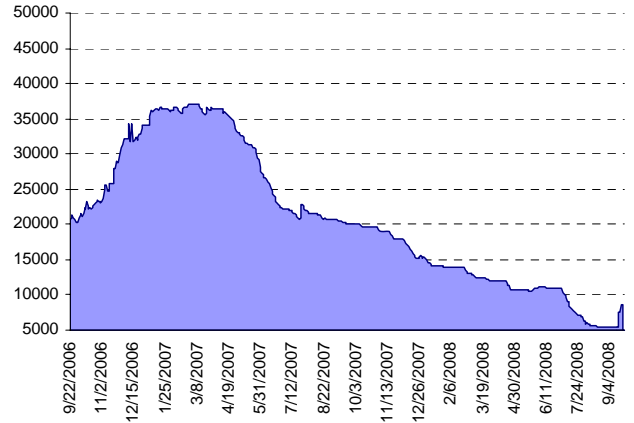
Source: Bloomberg/Phillip Futures

COMEX Aluminium H.G. (tonnes)



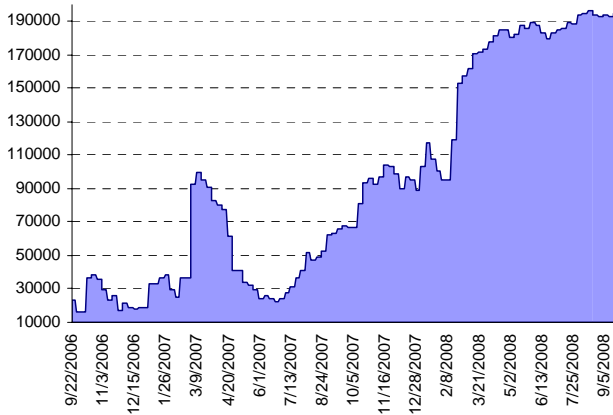
Source: Bloomberg/Phillip Futures

COMEX Copper (tonnes)



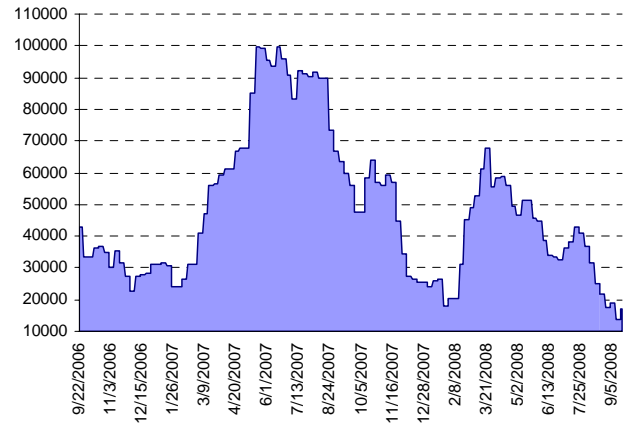
Source: Bloomberg/Phillip Futures

SHFE Aluminium (tonnes)



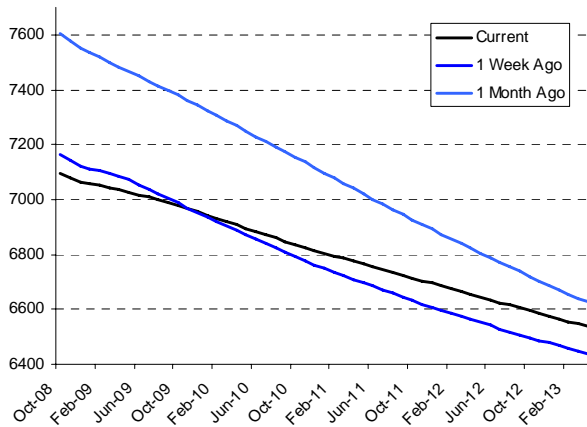
Source: Bloomberg/Phillip Futures

SHFE Copper (tonnes)



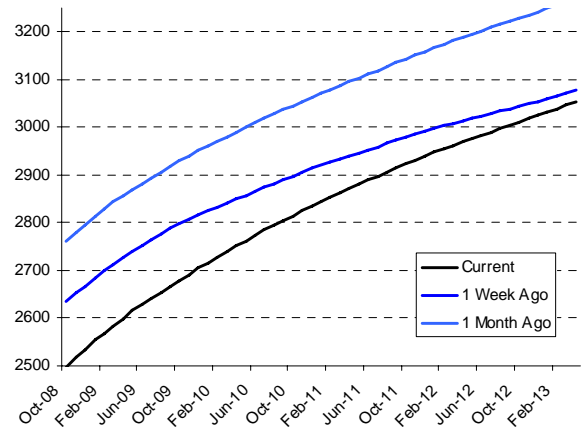
Source: Bloomberg/Phillip Futures

LME Copper Forward Curve



Source: Bloomberg/Phillip Futures

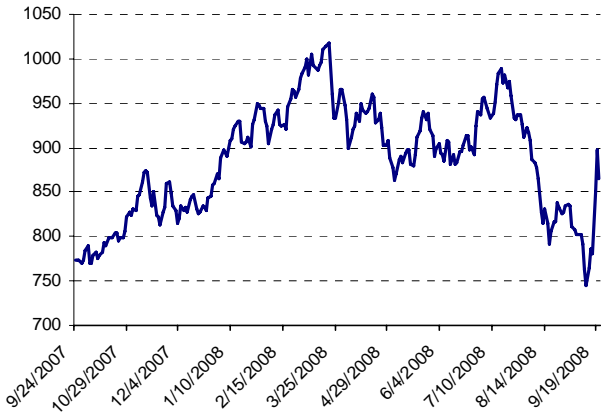
LME Aluminium Forward Curve



Source: Bloomberg/Phillip Futures

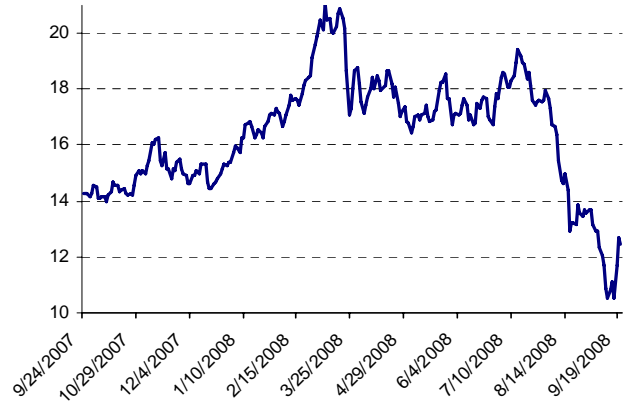
Precious Metals Charts

COMEX Gold (US \$/ounce)



Source: Bloomberg/Phillip Futures

COMEX Silver (US \$/ounce)



Source: Bloomberg/Phillip Futures

NYMEX Platinum (US \$/ounce)



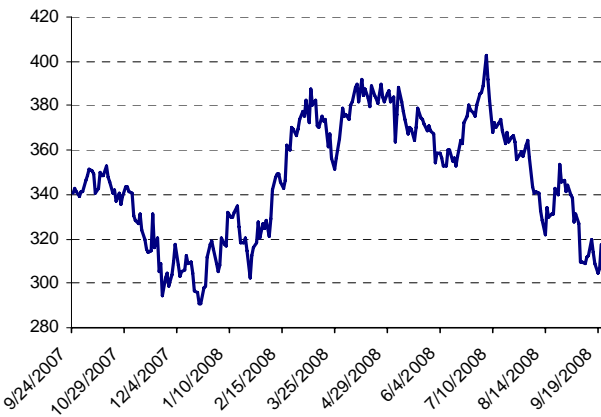
Source: Bloomberg/Phillip Futures

NYMEX Palladium (US \$/ounce)



Source: Bloomberg/Phillip Futures

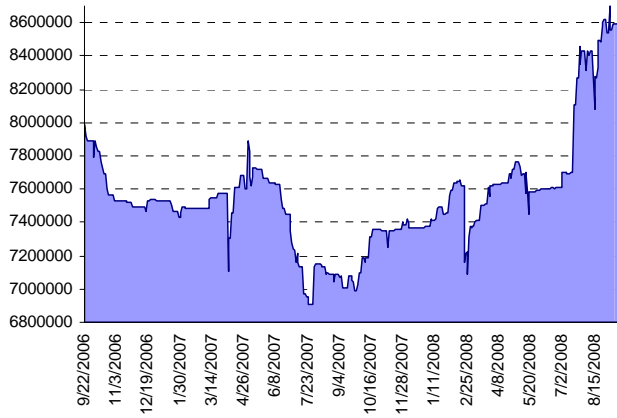
COMEX Copper (US cents/pound)



Source: Bloomberg/Phillip Futures

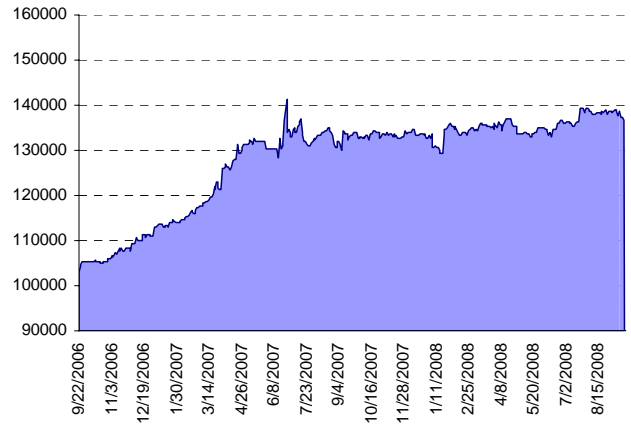
Precious Metals Stocks

COMEX Gold Stocks (tonnes)



Source: Bloomberg/Phillip Futures

COMEX Silver Stocks (tonnes)



Source: Bloomberg/Phillip Futures

COMMODITIES REPORT

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