

## Venezuela to mediate Libyan crisis

- Crude oil prices eased after a plan proposed by the Venezuelan president to resolve the crisis in Libya was being considered by Libyan government. No specific details of the plan have been released. Despite closing lower, both WTI and UK Brent crude remain above USD100/bbl.
- US initial jobless claims fell by 20,000 to 368,000 in the past week - a 2½-year low. The US ISM non-manufacturing activity index rose from 59.4 to 59.7 in January. The service sector is now growing at the fastest pace in five years. More importantly given that the US services sector is the largest employer it was encouraging to see that the employment component was at its highest level since April 2006. The Euro rallied sharply against the US dollar following hawkish comments from the ECB president Trichet, who said the bank will exercise "strong vigilance" over rising inflation, suggesting rate hikes were not far off.
- Base metals were mostly 0.7-3.1% higher, the exception being tin, with the bid taking support from the weaker US dollar. Copper rose the least as exchange stockpiles increased again overnight – see chart of the day below. Comex gold ended 1.8% lower following the ECB's hawkish inflation comments.
- European aluminium premiums for prompt delivery have eased slightly this week but remain high, at USD190-210/t over LME cash prices (duty paid, Rotterdam), compared to USD200-210/t last month. Significant quantities of notionally available stocks remain held up in financing deals but increasing prospects of higher interest rates in the Eurozone, following comments last night, could increase holding costs and see higher flows of metal out of financing deals in the months ahead.
- Spot iron ore prices, delivered China, ended slightly lower yesterday as Chinese buyers remained muted.

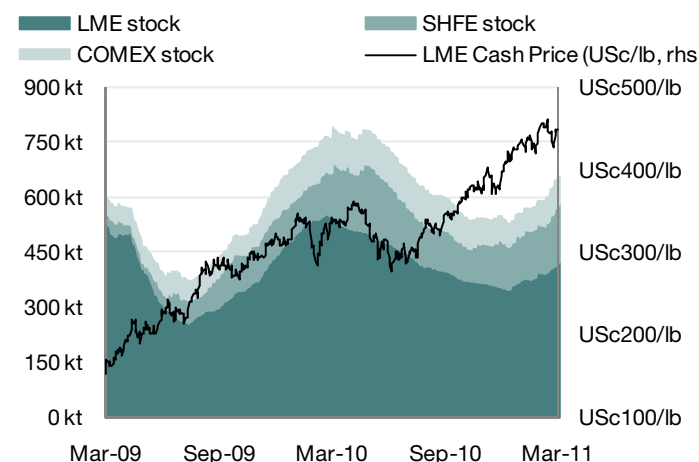
## Chart of the Day: Copper exchange stocks on an upward tear in recent months

- The levels of exchange copper stocks on London Metals Exchange, Shanghai Futures Exchange and Comex have increased noticeably in recent weeks. Prices have held at resilient levels notwithstanding these increases.
- One factor driving higher copper stocks is a moderation in use of copper as collateral for borrowing in China. The authority's curbs on credit growth are starting to reduce the demand for copper as collateral for borrowings. As borrowers find it tougher to roll-over credit secured by copper, some of these stocks are finding their way out of China and into LME storage in Asia. This is likely to put downward pressure on China's net copper import but not reduce it outright.

Overnight Price Moves (full table over)		03-Mar-11	
New York (Dow Jones IA)		12,274	1.7%
London (FTSE 100)		6,005	1.5%
AUD/USD		1.0142	-0.2%
<b>LME Metals (03-Mar)</b>			
	USD/t	USc/lb	% chg
Aluminium	\$2,579	117	0.9%
Copper	\$9,890	449	0.7%
Lead	\$2,612	118	3.1%
Nickel	\$28,875	1,310	1.5%
Tin	\$31,625	1,434	-0.9%
Zinc	\$2,473	112	1.0%
<b>Iron ore &amp; Steel</b>			
	USD/t	% chg	
Iron ore (62% Fe, cfr China)	\$177.90	-0.1%	
Steel Billet (LME)	~	~	
<b>Precious Metals</b>			
Gold			
Spot (USD/oz)	\$1,412.38	-1.5%	
Comex (USD/oz) *	\$1,411.20	-1.8%	
AUD spot (AUD/oz)	\$1,390.62	-1.4%	
Silver (USD/oz)			
	\$34.18	-1.4%	
Platinum (USD/oz)			
	\$1,822.75	-1.4%	
Palladium (USD/oz)			
	\$811.75	-1.0%	
<b>Oil</b>			
NYMEX light sweet crude (USD/bbl) *			
	\$101.84	-0.4%	
Brent (USD/bbl)			
	\$114.69	-1.1%	
Singapore TAPIS (USD/bbl)			
	\$118.49	0.0%	

Source: Bloomberg, globalCOAL, CBA. Prices are indicative and subject to change. Oz refers to Troy ounce. \* Near month.

## Chart of the Day: Copper exchange stocks on an upward tear



Source: Bloomberg, CBA.





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