

## Aluminium warehousing wanes

- A growing expectation of higher financing costs as US economic growth continues to recover is reducing interest in storing aluminium on cheap financing terms to sell into an expected stronger market later. This has started to see higher flows of physical metal into markets, which could be expected to weigh on the aluminium price going forward.
- The US Conference Board employment trends index lifted for the fourth straight month, up from 100.3 to 100.5 in January. The gauge is a leading index for the job market and it stands 7% higher than a year ago. European investor confidence improved to 16.7 in February, up from 10.6 in January and well ahead of forecasts, according to Sentix. German factory orders fell more than expected in December, leaving total orders 19.7% higher over the year to December, against forecasts for a 21.3% gain. The US dollar basically tracked sideways against most currencies.
- Base metals ended mixed with aluminium, tin and zinc higher but copper, lead and nickel lower. The fall in aluminium correlated with a sizeable jump in stocks.
- The closure of Anglo American's Lisheen zinc/lead mine in Ireland after an accident last Wednesday will aid some re-balancing of the very well supplied zinc market. The mine can has capacity to produce 175,000 tonnes zinc and 20,000 tonnes lead per annum.
- US crude oil prices fell sharply again on Monday as investors took profits. Despite initial fears, the unrest in Egypt has not caused disruption to oil supplies in the Middle East, and the apparent easing in tensions in Egypt have defused some of these supply concerns. High levels of US crude stocks also weighed on prices.
- North European thermal coal prices slipped yesterday as fears of a strike at Columbia's giant Cerrejon mine proved misplaced as unions and the mine's operators signed a new wage deal over the weekend.

### Chart of the Day: Is the recent fall in the gold price following US real long bond yields?

- US dollar gold prices have correlated quite closely to the inverse of US real long bond yields over the last four years (refer to chart). More recently, a growing expectation of recovering US growth, and the likely eventual monetary tightening that will be required, has driven real long yields higher. And in recent weeks, the gold price has started to fall from all time highs.
- While other factors also impact the gold price, the relative returns of investing in gold compared with investing in other asset classes such as bonds is important. Higher interest rates / bond yields would be expected to continue to trim investor interest in gold as an alternate asset class.

### OVERNIGHT MARKET SNAPSHOT

07-Feb-11

Dow Jones Industrial average	12,169	0.6%
AUD/USD	1.0135	0.0%
<b>LME base metals</b>		
	USD/t	USc/lb % chg
Aluminium	\$2,532	115 0.3%
Copper	\$10,053	456 -0.1%
Lead	\$2,639	120 -0.4%
Nickel	\$28,292	1,283 -0.2%
Tin	\$31,310	1,420 0.3%
Zinc	\$2,489	113 0.1%

### Precious Metals

<b>Gold</b>		
Spot (USD/oz)	\$1,350.32	0.1%
Comex (USD/oz)**	\$1,347.60	-0.1%
AUD spot (AUD/oz)	\$1,331.81	0.1%
Silver (USD/oz)	\$29.41	0.9%
Platinum (USD/oz)	\$1,842.25	-0.1%
Palladium (USD/oz)	\$817.75	0.4%

### Oil

NYMEX light sweet crude (USD/bbl)**	\$87.52	-1.7%
Brent (USD/bbl)	\$99.14	-0.5%
Dubai (USD/bbl)	\$96.12	-0.4%

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

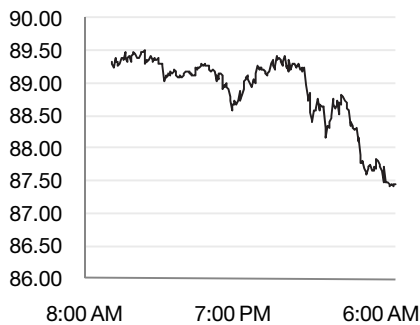
### Chart of the Day: Higher US real long bond yields correlating with weaker gold price



Source: Bloomberg, CBA.

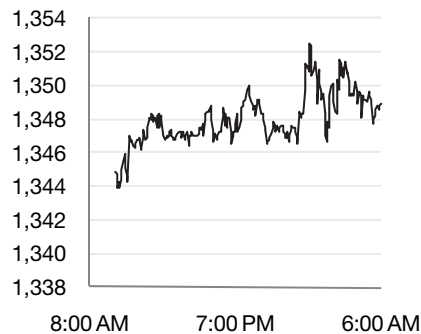


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



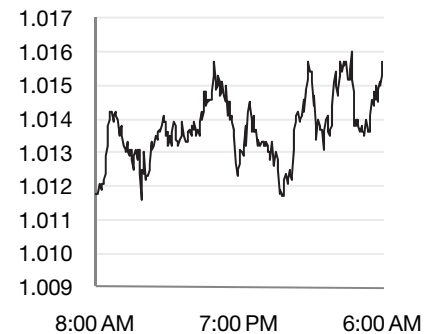
Source: Bloomberg, CBA. 5 min intervals.

Figure 2: Gold (spot, US/oz) intraday price



Source: Bloomberg, CBA. 5 min intervals.

Figure 3: Australian dollar (USD/AUD) intraday price



Source: Bloomberg, CBA. 5 min intervals.

## PROVISIONAL PRICES AS AT : 07-Feb-11

LME base metals			change over						change over		
Cash	USD/t	USc/lb	1 day	1 wk	1 mth	Oil	USD/bi	1 day	1 wk	1 mth	
Aluminium	\$2,532	115	0.3%	0.8%	2.5%	NYMEX light sweet crude**	\$87.52	-1.7%	-5.1%	-1.9%	
Copper	\$10,053	456	-0.1%	2.9%	7.8%	Brent (Dated)	\$99.14	-0.5%	-0.6%	4.1%	
Lead	\$2,639	120	-0.4%	1.4%	1.0%	Dubai	\$96.12	-0.4%	2.2%	6.5%	
Nickel	\$28,292	1,283	-0.2%	3.5%	18.7%	<b>Refined products, Singapore</b>					
Tin	\$31,310	1,420	0.3%	3.9%	19.1%	Gas Oil (USD/bbl)	\$113	-0.6%	1.0%	7.5%	
Zinc	\$2,489	113	0.1%	3.3%	5.1%	Jet Fuel (USD/bbl)	\$116	-0.7%	2.0%	8.9%	
<b>LME futures (3 mth)</b>						Fuel Oil (USD/t)	\$587	0.0%	6.3%	12.0%	
	USD/t	USc/lb				<i>Gas Oil is 0.5% sulphur, Fuel Oil is 180 Centistoke</i>					
Aluminium	\$2,550	116	0.4%	1.2%	2.5%	<b>Currencies</b>					
Copper	\$10,045	456	0.0%	3.1%	7.8%	AUD/USD (London close)	1.0135	0.0%	1.5%	1.9%	
Lead	\$2,582	117	-0.1%	2.9%	-0.3%	AUD/EUR	0.7483	0.2%	2.7%	-2.7%	
Nickel	\$28,300	1,284	-0.2%	3.5%	18.5%	AUD/JPY	83.55	0.3%	2.1%	1.5%	
Tin	\$31,300	1,420	0.3%	4.0%	19.1%	AUD/KOR	1,119	0.4%	0.2%	-0.2%	
Zinc	\$2,508	114	0.1%	3.3%	5.4%	EUR/USD	1.3544	-0.3%	-1.1%	4.7%	
<b>LME stocks</b>			tonnes			USD/JPY	82.43	0.3%	0.6%	-0.4%	
Aluminium	4,562,625	31,650	41,400	193,125		<b>Coal*</b>					
Copper	393,525	-625	-500	15,225		Newcastle	USD/t				
Lead	289,400	125	9,475	79,025		Richards Bay	\$127.43	~	3.6%	~	
Nickel	132,828	30	-1,212	-3,978		DES ARA	\$120.77	~	3.7%	~	
Tin	18,775	0	1,160	2,085			\$122.48	~	5.0%	~	
Zinc	710,075	0	-600	9,125		<b>Iron ore &amp; Steel</b>					
<b>Precious Metals</b>							USD/t				
Gold	USD/oz (unless stated otherwise)					Iron ore (62% Fe, cfr China)	\$185.60	0.0%	0.0%	7.0%	
Spot	\$1,350.32	0.1%	1.3%	-1.8%		China domestic Rebar	\$713.50	~	0.1%	3.8%	
Comex**	\$1,347.60	-0.1%	1.0%	-1.9%		East Asia HRC (cfr) ***	\$722.50	0.0%	1.0%	12.5%	
AUD spot (AUD/oz)	\$1,331.81	0.1%	-0.3%	-3.6%		US domestic HRC (US/st)***	\$845.00	0.0%	5.0%	17.4%	
Silver	\$29.41	0.9%	4.8%	1.1%		<b>Freight</b>					
Platinum	\$1,842.25	-0.1%	2.7%	5.8%			Index				
Palladium	\$817.75	0.4%	0.3%	8.6%		Baltic Dry Index	~	~	~	~	
<b>Natural Gas</b>						Baltic Capesize Index	~	~	~	~	
Henry Hub (USD/MMBtu)**	\$4.118	-4.5%	-6.8%	-6.4%		Baltic Panamax Index	~	~	~	~	
British NBP (GBP/therm)**	54.14	-1.3%	2.8%	-1.4%		*Weekly, 04/02 ***Weekly, 01/02					
						**Near Month (not adjusted for contract changes)					

Source: Bloomberg, globalCOAL, CBA. Data is indicative snapshot, prices subject to change.



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---

**Equities Research**


---

**Head of Research**

Mark Storey +612 9118 1198

**Banks/Insurance**

Ben Zucker (Banks) +612 9118 1185

Jeff Cai (Banks) +612 9118 1186

Cindy Dowling (Banks) +612 9118 7582

Ross Curran (Insurance) +612 9118 1181

Naveen Patney (Insurance) +612 9118 6391

**Basic Materials**

Michael Ward\* +612 9118 1139

Athlene Piech +612 9118 1195

Ryan Gerhardy +612 9118 1197

**Economics**

Michael Blythe +612 9118 1101

James McIntyre +612 9118 1100

**Healthcare**

Natalie Kelly +613 9675 7107

Bruce Du +613 9675 6244

**Media & Telecommunications**

Alice Bennett +613 9675 7118

Dominique d'Avrincourt\* +613 9675 6933

Nathan Burley +613 9675 7029

**Property**

David Lloyd +612 9118 1192

James Druce +612 9118 1193

**Resources/Energy**

Andrew Hines +613 9675 7443

Lachlan Shaw (Commodities) +613 9675 8618

Andrew Knuckey (Metals &amp; Mining) +613 9675 6791

Tomas Vasquez (Metals &amp; Mining) +613 9675 6059

Paul Hodsman (Metals &amp; Mining) +613 9675 8532

Luke Smith (Energy) +613 9675 7117

**Retail, Food & Beverage**

Andrew McLennan +612 9118 1199

Jordan Rogers +612 9118 1177

Amy Toepfer +612 9118 1182

**Small Companies**

Nick Maclean +613 9675 7972

Wassim Kisirwani +612 9118 1187

**Transport / Developers & Contractors**

Matt Crowe (Transport) +612 9118 1189

Andre Fromyhr (Transport) +612 9118 1188

Ben Brownette (D&amp;C) +612 9118 1190

Amy Toepfer (D&amp;C) +612 9118 1182

**Utilities & Toll Roads**

Paul Johnston\* +613 9675 7101

Paul Mason +613 9675 7275

**Supervisory Analyst**

Joe Pardea +612 9118 6388

**Quantitative Research & Database**

Nizar Torlakovic +612 9118 1178

Hendrik Botha +612 9118 1200

Luke Hartigan\* +612 9118 6393

Publishing +612 9118 1183

Fax (Sydney) +612 9118 1000

Fax (Melbourne) +613 9675 7622

---

**CommSec Retail**


---

Craig James +612 9312 0265

Savanth Sebastian +612 8223 7130

To contact any of our staff via email, type: first.name.surname@cba.com.au

\*Except: Dominique d'Avrincourt – dominique.davrincourt@cba.com.au

Luke Hartigan – lhartigan@cba.com.au

Michael Ward – michael.ward1@cba.com.au

Paul Johnston – paul.a.johnston@cba.com.au

Michael Robson - michael.robson@asb.co.nz

Nick Tuffley – nick.tuffley@asb.co.nz

Jane Turner – jane.turner@asb.co.nz

Christina Leung – christina.leung@asb.co.nz

---

**Institutional Equities**


---

**Executive General Manager Institutional Equities & Debt Capital Markets**

David Hancock +612 9118 1441

**Head of Cash Equities**

Lance Jenkins +612 9118 1447

---

**Equity Distribution**


---

**Equity Research Sales – Sydney**

Angus Esslemont +612 9118 1471

Christine Leonard +612 9118 1442

Rod Hardwick +612 9118 1444

Rodney Walker +612 9117 7888

Sarah Beeby +612 9118 1018

Will Corkill +612 9118 1461

Melissa George (Desk Manager) +612 9118 1446

**Corporate Access**

Amanda Chamberlin +612 9118 1443

**Equity Research Sales – Melbourne**

Boyd Carter +613 9675 6815

Wayne Murray +613 9675 7495

Nicolas Thompson +613 9675 6618

**Sales Trading**

Andrew Tyrrell +612 9118 1451

Jarred Rubin +612 9117 7887

Justin Rooney +612 9118 1453

Nicolas Thompson +613 9675 6618

Paul Welsh +612 9118 1450

Rod Ellis +612 9118 1452

Michael Robson\* +64 9374 8693

**Equity Trading**

Alex Stanford +612 9118 1456

Andrew Millward (Electronic) +612 9118 1457

Anthony Brownlow (Electronic) +612 9118 1463

Hun Low (Electronic) +612 9118 1458

Jeremy Weber +612 9118 1454

Mark Ashton +612 9118 1405

Matt Bromfield +612 9118 1455

**Asian Sales**

Toll Free (HK) +800 901 636

Toll Free (Sing) +800 616 1949

Fax (Melbourne) +613 9675 7622

---

**Global Markets Research**


---

**Commodities**

Luke Mathews +612 9118 1098

Lachlan Shaw +613 9675 8618

**Foreign Exchange**

Richard Grace +612 9117 0080

Joseph Capurso +612 9118 1106

Peter Dragicevich +612 9118 1107

Andy Ji +65 6349 7056

**Fixed Income**

Adam Donaldson +612 9118 1095

Philip Brown +612 9118 1090

Michael Bors +612 9118 1108

Steve Shoobert +612 9118 1096

Winnie Chee +612 9118 1104

Tally Dewan +612 9118 1105

Kevin Ward +612 9118 1960

Alex Stanley +612 9118 1125

**Economics**

Michael Blythe +612 9118 1101

Michael Workman +612 9118 1019

John Peters +612 9117 0112

James McIntyre +612 9118 1100

Chris Tennent-Brown +64 9374 8819

Nick Tuffley\* +64 9374 8604

Jane Turner\* +64 9374 8185

Christina Leung\* +64 9369 4421

Fax (Sydney) +612 9118 1010