

Precious Metals Daily

- ▶ **Precious metals consolidating recent gains**
- ▶ **Gold beginning to see more sustained fund buying**
- ▶ **CFTC Commitments of Traders data**

Precious metals overview

		Gold	Silver	Platinum	Palladium
prices USD/oz	AM fix	568.60	1026.00	1063.00	305.00
	PM fix	565.00	-	1059.00	303.00
	Spot	567.50	1018.00	1052.00	301.00
EFPs	Apr/May	1.45-1.65	0.00-1.00		
Nymex speculative position		Moz	Moz	'000oz	'000oz
- as at 28/02/06	Long	+22.4	+444	+340	+1171
	Short	-6.7	-118	-116	-198
	Net	+15.7	+326	+224	+973
	Change	+0.7	-43	-1	+5

Source: HSBC, CFTC

Recent market trends

Having rallied strongly in the middle of last week, the precious metals markets took something of a breather on Friday, consolidating the recent gains. Gold prices are currently USD567/oz while silver is trading at USD10.18/oz, up USD12/oz and USD0.50c/oz respectively over the last week. The gains in platinum have been more modest, up USD20/oz on the week to USD1,052/oz while palladium has been the star performer of late, up USD20/oz to USD299/oz.

The general tenor of trading in the bullion market has been fairly constant of late: namely the rebuilding of long positions against a broader environment favourable to the metals. The dollar has softened of late, geopolitical concerns remain unresolved and the technical picture has improved. Oil and base metals have all edged higher. Against this background the last three weeks have seen the fund community as net buyers of gold, as evidenced by the increase in the net long speculative position on the CFTC Commitments of Traders data. Having fallen in the previous month the last two weeks data have shown the net long position rise, albeit by a modest 100,000oz and 700,000oz respectively. The cut-off for last week's data was the close of trading on Tuesday, so Friday's data does not include the move higher in the middle of last week, which will almost certainly show a third week of net long position building. With the gold exchange traded funds (ETFs) also net buyers of gold over the same period, albeit by a marginal 4t, the gold market has developed an upwards bias. Whether there is sufficient momentum to break through the previous high of USD574/oz remains to be seen.

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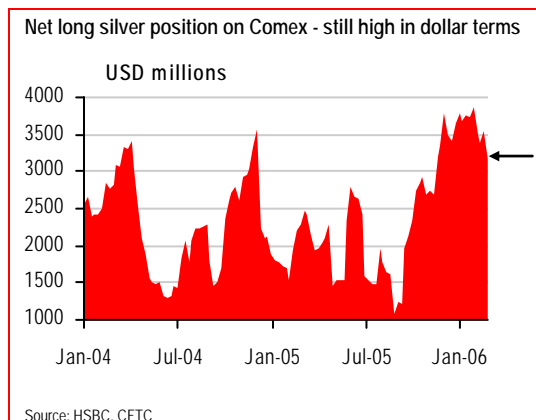
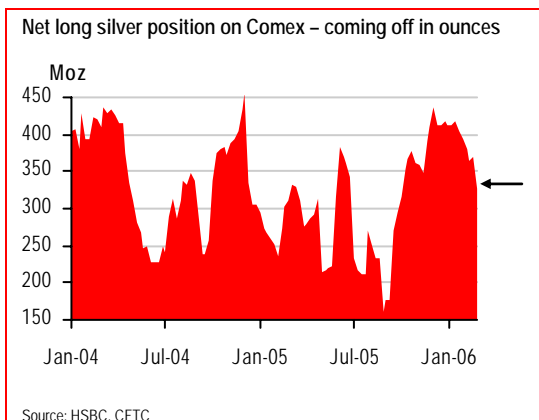


Total net long speculative position on Comex/Nymex

	Gold Moz	Silver Moz	Platinum '000oz	Palladium'000oz	Copper '000t
3-Jan-07	18.73	413	314	878	47
10-Jan-07	18.02	412	325	821	46
17-Jan-07	18.20	417	351	865	63
24-Jan-07	17.50	406	382	847	66
31-Jan-07	16.70	393	406	996	70
7-Feb-07	15.44	379	360	1047	78
14-Feb-07	14.91	364	270	982	42
21-Feb-07	15.00	370	224	968	9
28-Feb-07	15.69	326	224	973	-24
12 month high	21.27	436	548	1047	475
12 month low	5.30	161	204	326	-24
12 month average	14.83	316	358	754	155

Source: CFTC, Note: total net long position = net large non-commercial positions + net non-reportables

In the silver market the long liquidation shown in Friday's data looks something of an anomaly, given current fevered excitement about the possibility of a silver ETF. The total speculative long position on the Comex silver contract fell by 44Moz, to 326Moz, the lowest level since last October. Of the fall approximately 34Moz was due to long liquidation and 10Moz due to a rise in gross short positions. However, given the surge in silver prices the net long position in dollar terms is still at the unusually high level of USD3.2Bn. With silver prices up another 50c/oz since the CFTC data was collected, this may encourage further long liquidation by funds more concerned with their dollar than ounce exposure.





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