

press release

Gold likely to average \$1,300/oz by Q4-2010

Compelling case for gold and platinum, but crude oil upside capped

London, 24th November, 2009 – The investment case for gold has become increasingly compelling with central bank buying and a structural change in interest in gold as an investment product among retail customers, according to the latest research from Standard Chartered.

“Although the upside will be capped by lower jewelry demand, increased availability of scrap gold as prices surge to new highs and periodic dollar strength in the first half of 2010, we see gold moving higher to average USD 1,300/oz in Q4-2010 once the dollar resumes its weakening trend,” said Helen Henton, global head of commodity research at Standard Chartered. Gold has averaged \$955/oz so far this year.

In its Commodities Quarterly report, Standard Chartered also forecast that platinum will outperform gold in 2010, supported by the upward momentum provided by gold prices and due to supply issues, including rising costs and a vulnerable power grid in South Africa.

After plummeting in Q4-2008, commodity prices have performed well this year. The Dow Jones UBS index is up 15 per cent so far this year, led by a 64 per cent lift in industrial metals prices. Crude oil prices are also up 74 per cent, but the energy complex as a whole is down this year as natural gas prices have been weighed down by massive oversupply. Precious metals have also risen 37 per cent year-to-date.

The gains have been driven by a combination of US dollar weakness, supply restraint, improving investor sentiment and, eventually, a pickup in actual demand. Crude oil demand, for instance, bottomed in Q2 and is now edging higher. The levels of demand are still below previous peaks, however, and Standard Chartered does not expect crude oil demand to return to the previous peak (in Q4-2008) before 2012. The weak demand growth and the potential among the leading producers to expand output are likely to keep crude prices capped, with average price for Q4 of 2010 forecast at \$88 per barrel. Crude oil has averaged \$60 a barrel so far this year.

Among base metals, the report is relatively more bullish on copper and lead where the supply situation is tighter. The outperformance of the base metals complex this year is a direct result of China’s stimulus package and early recovery. While the level of imports may have been excessive and inventories have risen, the recovery in end use demand has been evident in the key metal consuming sectors.

The report forecasts commodity prices will retreat in the first half of 2010 as the dollar rebounds and concerns emerge over the sustainability of the global recovery. During this period investors are likely to refocus on commodity market fundamentals -- those with the tightest supply are likely to outperform. With liquidity still ample, the pull back is unlikely to be severe.

The second half of 2010 is likely to be markedly different from the first half as renewed US dollar weakness, pickup in growth in the US, in particular, and ample liquidity draw investor funds back to commodities, pushing prices higher. With the notable exception of nickel, soy beans, sugar and rice, the report forecasts prices will rise in the Q4 of 2010 versus the corresponding period in 2009.

Among agricultural commodities, which have underperformed other commodities this year, corn is expected to lead prices higher in 2010 as a result of poor weather conditions in the US and China. Corn and palm oil are also likely to benefit from firmer energy prices in the second half of next year. In contrast, the winning agricultural commodities of 2009 – sugar and soy beans – are likely to underperform as improved crops flood the market, dampening prices.

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Note to Editors:

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