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Australia on Thursday appointed its first woman prime minister, Julia Gillard, who vowed to end division over a controversial mining tax, resurrect a carbon trade scheme and call elections within months.

Former prime minister Kevin Rudd made an emotional and ignominious exit, quitting just before the Labor Party was to dump him in a ballot and less than three years after a stunning election victory in 2007.

The Rudd government's dramatic slide in support this year sparked fears within the ruling party of an electoral defeat at a poll expected around October.

"I asked my colleagues to make a leadership change because I believed that a good government was losing its way," Gillard told a news conference.

Gillard, 48, immediately offered to end a bitter dispute over a controversial "super profits" mining tax, which is threatening \$20 billion worth of investment and has unnerved voters, saying she would throw open the door to fresh negotiations.

But Gillard stood firm on the introduction of a resource tax, stressing that miners should pay more tax and adding in parliament later that miners had conceded they could pay more.

"To reach a consensus, we need to do more than consult, we need to negotiate," she said, adding the government would end its mine tax advertisements.

Miners responded by suspending their multi-million dollar anti-tax advertising campaign.

"We look forward to working with the government in this new way to find a solution that is in the national interest," said a spokesperson for Billiton.

The Australian dollar jumped briefly after the leadership change, and mining shares rose around 2%.

Gillard's takeover will see the government resurrect its failed climate change policy, a carbon trade emissions scheme, with the new prime minister saying she was disappointed in the government's failure to pass laws to set a price on carbon.

"I will re-prosecute the case for a carbon price at home and abroad. I will do that as global economic conditions improve and our economy continues to strengthen," she said.

Greens party leader Senator Bob Brown and institutional investors said they were looking forward to early action on climate change. Rudd postponed his carbon scheme until 2011.

Rudd became the shortest-serving Australian prime minister since 1972, with his leadership falling apart after a string of poor opinion polls. "I have given my absolute all. I was elected by the Australian people as the prime minister ... to bring back a fair go for all Australians," said Rudd, choking back tears.

Government lawmakers believe Gillard has a better chance of winning back voters because she is a warmer personality who can sell policies more effectively. Gillard will automatically attract a large female vote, especially when compared with conservative opposition leader Tony Abbott, who is anti-abortion and opposes sex before marriage.

A recent opinion poll showed female voters would ditch Abbott for Gillard, favouring the female leader by a commanding 53 percent to 23 percent for Abbott.

"If she is going back to a clean slate that's good news. But we still do not know if she will be negotiable on the 40 percent and other details," said Simon Bennison, chief executive of Australia's Association of Mining and Exploration Companies.

Economic analysts believe Gillard will either water down the tax or offer major concessions to miners.

Rudd's unsuccessful steps to stop boatpeople has angered both voters opposed to asylum seekers and voters demanding a more humanitarian policy, with asylum seekers currently held in detention camps on an offshore island and an outback town.

Gillard is under Labor party pressure to shift from her left-wing position and take a tougher stand on boatpeople. She said she understood Australians were "disturbed" by the number of boat arrivals and pledged strong border protection.

Mandarin-speaking and former diplomat Rudd was a foreign policy expert, but Gillard has little experience on the field and is expected to leave Australia's external relations unchanged, stressing strong ties with both China, the country's largest trade partner, and the United States, its main security ally.

Oil stabilised above \$76 on Thursday after two days of losses, mirroring steady Asian equities after the U.S. Federal Reserve's dovish outlook.

### STOCKS EASE ON SLIGHT BEARISH TONE FROM FED

Japan's Nikkei average closed little changed on Thursday, after U.S. stocks mostly fell on Wednesday following the Fed's monetary policy statement, suggesting interest rates will remain near zero longer than expected. "Oil has picked up off the lows this morning. It had a very sharp sell-off Wednesday after the weak data on housing and the EIA stocks data," said David Moore, commodities strategist at Commonwealth Bank.

"The little bounce today is more a reaction to the dip last night. Regional equities are stable and the Fed's affirmation it will keep interest rates low may have also helped."

U.S. crude for August fell as much as 42 cents to \$75.93 a barrel before recovering to \$76.38, up 3 cents on the day at 0650 GMT. ICE Brent rose 14 cents to \$76.41.

U.S. gasoline inventories last week fell by 800,000 barrels, with demand over the past four weeks up 1.2 percent over the comparable period last year. Distillate stocks rose by 300,000 barrels, while demand jumped 12 percent.

On Wednesday crude touched \$75.17, the lowest since June 15. On Thursday it was up 18 percent from a May 20 trough below \$65, but prices were about \$11 lower than their early-May 19-month peak above \$87.

"What we see is a market that is still cautious about economic recovery," said Toby Hassall, an analyst at CWA Global Markets in Sydney. "That feeds into oil demand prospects."

U.S. crude inventories unexpectedly gained 2 million barrels last week, according to a government report on Wednesday, while data showed new home sales fell at a record pace in May to their lowest in more than 40 years.

BP said it had reinstalled its oil syphon cap at its leaking well off the southern United States. At the same time, the Obama administration appealed a court ruling that blocked its six-month moratorium on deepwater oil drilling.

"Obama's attempts to restrict deepwater drilling are at odds with another policy -- to cut dependence on imported oil," said Jonathan Barratt, managing director of Commodity Broking Services.

"By taking deepwater supplies out of the equation, U.S. self sufficiency in oil could fall to around 30 percent in 2035 from around 40 percent if deepwater production is allowed."

Weather concerns could complicate the picture after the U.S. National Hurricane Center said a tropical wave to the south of Cuba had a 30 percent chance of becoming a tropical cyclone over the next two days. Storms could hamper cleaning efforts and curb oil production in the Gulf of Mexico.

In other news, the Paris-based International Energy Agency on Wednesday said crude supplies would be comfortable for five years, further stoking bearish sentiment in the oil market.

## GOLD MIXED ON WEAKER DOLLAR AND STOCKS

Gold firmed on Thursday as the U.S. dollar slipped after the Federal Reserve vowed to keep interest rates low, while uncertainty over the global economy underpinned investor appetite.

The dollar was on the backfoot after the Fed issued a cautionary note about volatile financial markets in light of Europe's debt woes, elevating gold's safe-haven appeal.

Spot gold added 90 cents to \$1,236.10 an ounce at 0535 GMT, having fallen to its lowest in a week on Wednesday to track declines in other commodities following weak U.S. housing data.

"Gold looks resilient to downside risk because vague fears are still hanging over markets. Visibility is low in terms of the euro and the economy," said Tetsu Emori, general manager at Tokyo-based fund manager Astmax Co.

Gold struck a record around \$1,264 on Monday, mainly because of worries the sovereign debt crisis in Europe would spread and the U.S. economy was slowing.

The U.S. August gold contract added \$2.5 to \$1,237.3 an ounce. It settled \$6 lower as investors booked profits from this week's record high after sales of new U.S. homes dropped a record 32.7 percent in May to the weakest level in at least four decades.]

The Dollar Index slipped to 85.66 after posting an outside day reversal the previous day, suggesting more losses might be in store. The Australian dollar edged up after a new Prime Minister was chosen, reducing political uncertainty there.

In other precious metals, silver was steady, palladium was higher but platinum was under pressure from selling on TOCOM futures and uncertainty in the global economy. PGMs are mainly used in autocatalysts.

"Gold is quite stable but I've seen fund selling on platinum and there's not much interest from the industrial sector either," said a dealer in Tokyo.

"I guess sentiment in platinum is affected by the outlook for the U.S. economy."

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