

This Week at a Glance

RELENTLESS PUSH HIGHER. Traders shrugged off US inventory gains (again), pulling prices higher on reports of new attacks in Nigeria. Technical trade and fresh investor money entering the market at the start of the third quarter steepened the ascent. On Monday, NYMEX announced record open interest of 1.487m in the WTI contract. Speculators are investing in the story of a maturing global crude supply combined with Asian-led demand growth. Ongoing supply disruption fears and US hurricane season add further text to the story in the near-term prices.

The IEA reiterated its call for OPEC to increase production, while OPEC reiterated its response that the market is well-supplied with crude and that refinery bottlenecks are providing the price floor. Reuters preliminary forecast for OPEC-10 June production was 26.64m bpd; another month exceeding the target quota, and adding credibility to OPEC's position.

Although the WTI/Brent differential narrowed last week, closing last Friday at -\$0.73, it deteriorated this week under sustained upward price pressure on ICE Brent, closing Thursday night at -\$2.94.

MEND suspended its month-long ceasefire in Nigeria. An attack on a Shell oil rig and kidnapping of a three-year old highlight lingering production risks.

Futures Price Data Week Ending, Friday, 6 July 2007, 9h30 GMT

	ICE Brent	ICE Gasoil	NYMEX Light Crude	NYMEX Heating Oil	NYMEX RBOB
	(\$/bbl)	(\$/tonne)	(\$/bbl)	(\$/bbl)	(\$/US gal)
Open	71.22	628.50	70.30	2.04	2.22
High	74.93	643.00	72.35	2.10	2.28
Low	70.92	624.00	69.60	2.03	2.22
Close	74.75	637.00	71.81	2.09	2.28

Next Week's Energy Price Drivers:

Overview: CONSOLIDATION

- Technical forecasts favour a breakout to the upside, but recent gains in the NYMEX crude contract point to some consolidation first
- Inventory numbers continue to give pattern to the week's trade; Oil may rise next week as increased refinery output draws down stockpiles but gasoline sentiment should become more muted given that two of the three biggest US summer holidays are over
- August Brent is likely to continue disconnecting itself from the rest of the Brent futures curve until the contract expires on 16 July due to quality issues associated with production during maintenance season

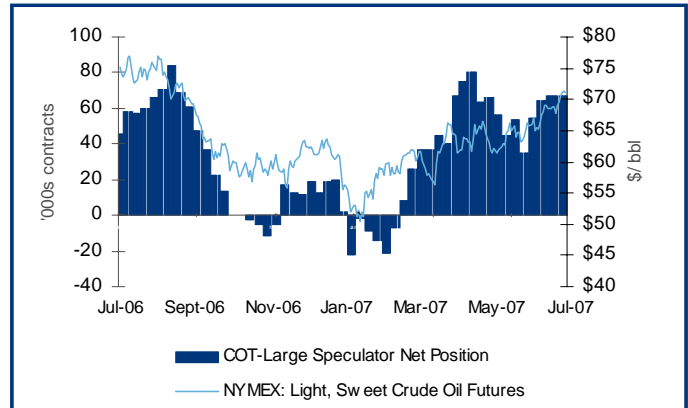
Calendar: 9 July – 13 July 2007

Monday 9 July	Tuesday 10 July	Wednesday 11 July	Thursday 12 July	Friday 13 July
Euro-Zone Mfg PMI	Euro-Zone Unemployment	EIA/API Petroleum Inventories	EIA Natural Gas Storage	US Commitment of Traders
		EXPIRY: ICE Brent Crude Options-Aug07	EXPIRY: ICE Gasoil Futures-Jul07	US Retail Trade
			US Int'l Trade Balance	



Commitment of Traders Summary Futures Only Open Interest

Most Recent	29-Jun-07
Total Open Interest (OI)	1,436,152
<i>Futures net long as % of OI</i>	80.9%
<i>Futures non-comm net long as % of OI</i>	13.8%
1month ago	29-May-07
Total Open Interest	1,350,183
<i>Futures net long as % of OI</i>	81.4%
<i>Futures non-comm net long as % of OI</i>	13.0%
1 year ago	29-Jun-06
Total Open Interest	991,500
<i>Futures net long as % of OI</i>	79.4%
<i>Futures non-comm net long as % of OI</i>	17.3%

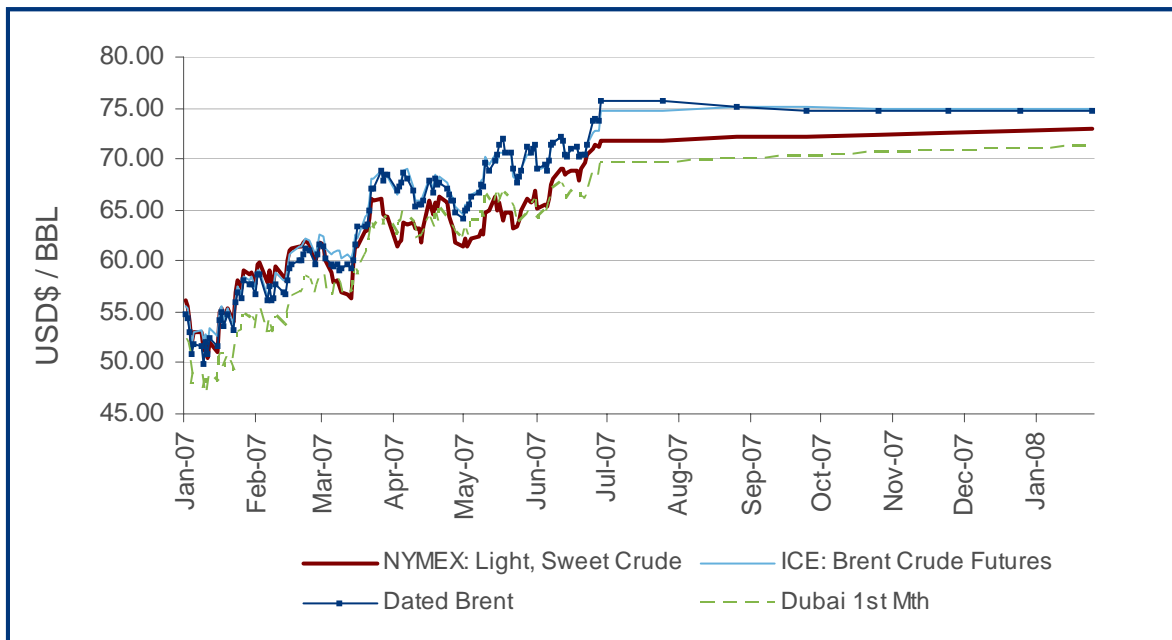


POLITICAL CONCERNS OUTWEIGH INVENTORY GAINS. A week-long rally which saw crude hit 10-month highs continued despite this week's US inventory data which showed gains in key products. Technical trading, an influx of investor money, the expiration of July petroleum product contracts, and two cars rigged as bombs in London fuelled the gains. NYMEX crude for August delivery rose \$1.11 to close at \$70.68 last week, with ICE Brent gaining 89¢ to close at \$71.41. On Monday, NYMEX crude closed up 41¢ at \$71.09 with August Brent closing up \$1.31 at \$72.72 after bullish US economic data. The contracts logged another day of gains on Tuesday, with the NYMEX contract gaining 32¢ and Brent adding 21¢. The NYMEX trading floor was closed on Wednesday due to the US Independence Day holiday although electronic trade remained open. Gunmen attacked a Shell oil rig in the Niger Delta early on Wednesday and kidnapped five expatriates which provided some direction for the Brent contract. Although trade opened down on Thursday on profit-taking and a bearish inventory report, prices recovered in the afternoon as traders focused on renewed attacks in Nigeria. NYMEX crude closed up 40¢ at \$71.81 while ICE Brent closed at \$74.75, a \$1.70 gain over Wednesday's close.

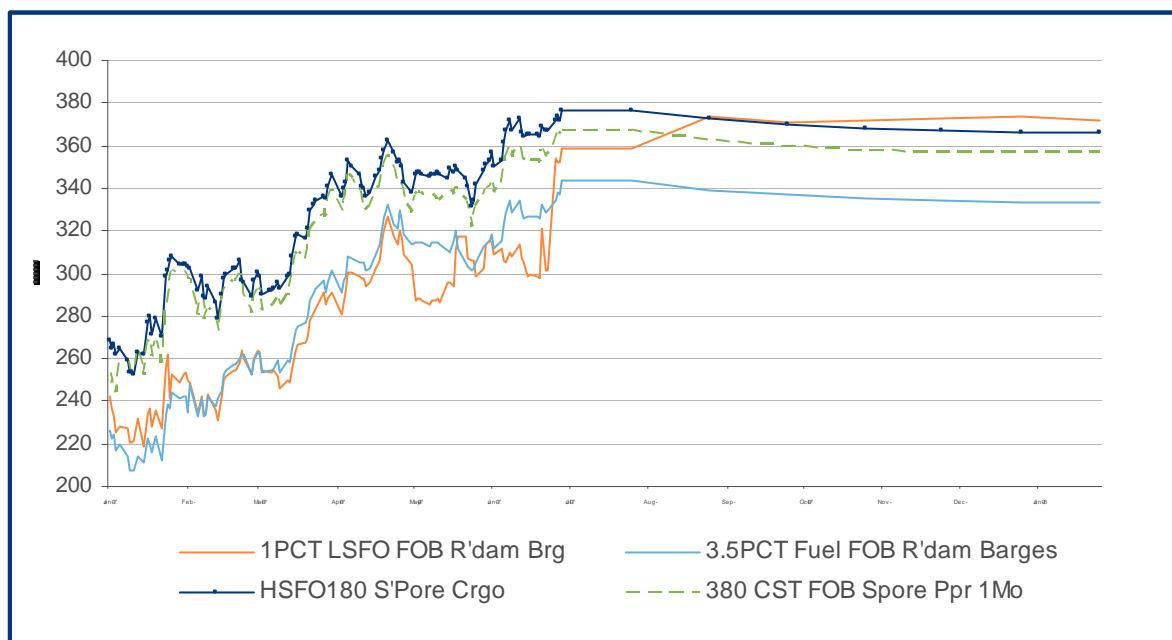
Historical Futures Prices (Spot Mid Prices)		price basis: Friday, 6 July 2007, 9h30 GMT							
		Days Ago					one month ago	one year ago	52-week average
		5	4	3	2	Yesterday			
Crude									
NYMEX Lt Swt Crude; Pit Session	\$/bbl	70.46	71.06	71.39	71.13	71.82	65.70	75.14	63.51
ICE Brent Crude; Pit Session	\$/bbl	71.30	72.64	72.86	72.69	74.75	70.48	74.13	64.72
Dated Brent	\$/bbl	71.30	73.70	73.93	73.76	75.63	70.59	73.71	64.03
Dubai First Month	\$/bbl	66.81	68.78	68.73	68.56	69.62	65.70	69.62	60.69
Urals CIF Med 1st Month	\$/bbl	69.30	69.00	70.25	70.85	72.33	67.78	68.55	60.55
Tapis Blend 1st Month	\$/bbl	75.15	75.57	76.59	76.92	77.05	75.93	77.26	69.36
USWC Maya	\$/bbl	58.67	59.57	59.89	60.07	60.24	54.22	59.50	48.51
OPEC Basket	\$/bbl	67.88	68.64	69.55	69.73	70.22	66.18	68.74	60.39
Other Energy									
NYMEX Natural Gas	\$/mmbtu	6.832	6.718	6.761	6.761	6.754	8.090	5.664	7.076
Argus Coal Wkly Index,API #2		78.75	77.75	77.25	76.70	75.00	75.35	61.50	69.17
Argus Coal Wkly Index,API #4		57.25	56.75	57.00	56.50	56.75	54.75	51.10	51.19
TD3 XT1M Index	\$/MT	12.12	12.14	12.05	12.05	11.34	12.94	15.46	13.78
TD5 XT1M Index	\$/MT	15.40	16.86	16.30	16.30	15.74	16.30	17.69	16.91
Foreign Exchange Rates									
EUR / USD		1.354	1.363	1.361	1.361	#N/A	1.352	1.278	1.307
JPY / USD		123.14	122.38	122.38	122.62	#N/A	121.38	115.11	118.62
AUD / USD		0.849	0.859	0.854	0.858	#N/A	0.837	0.746	0.787



Benchmark Crude Futures (close) – Six month historical / Six month forward

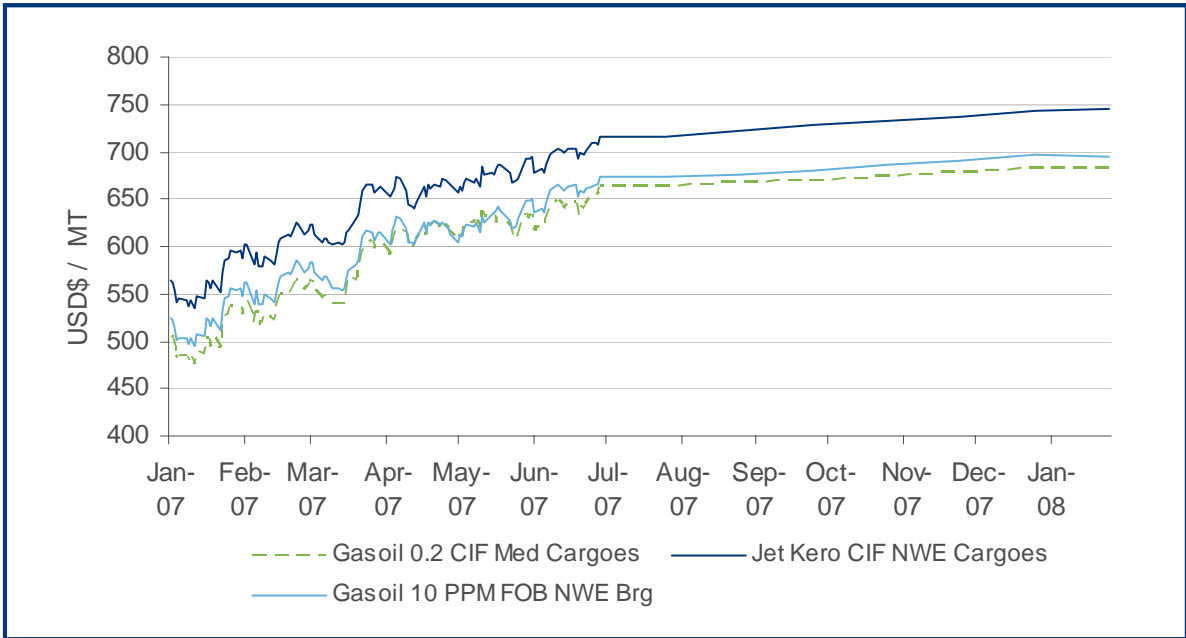


Benchmark Fuel Oil Futures (close) – Six month historical / Six month forward

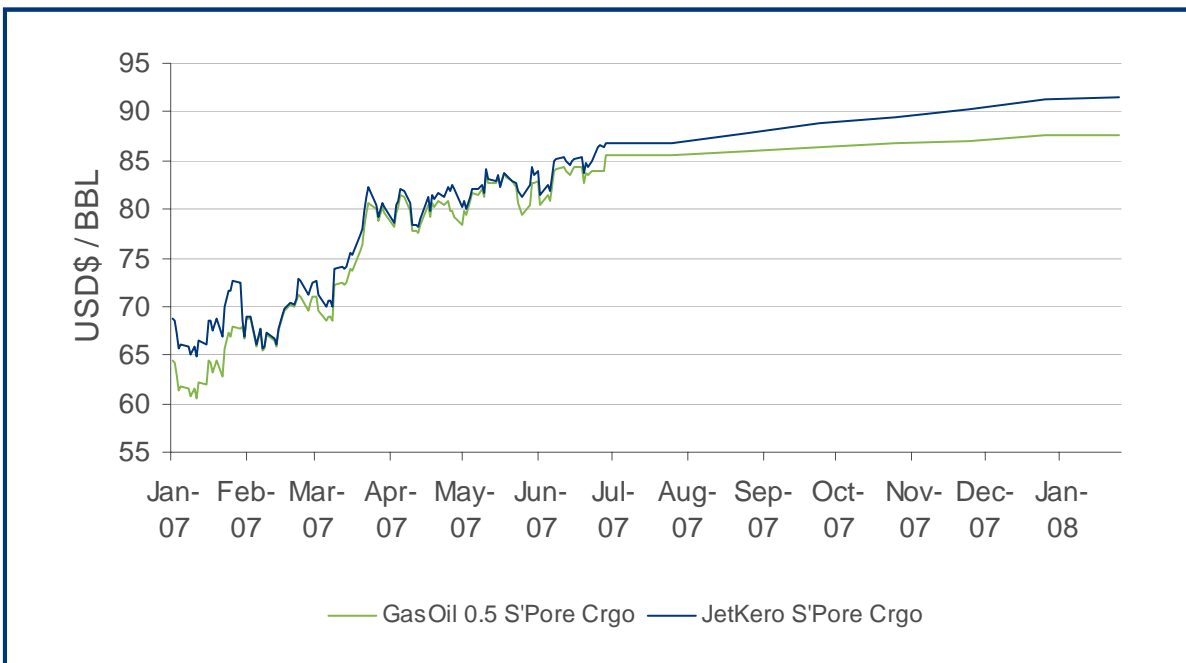




European Product Futures (close) – Six month historical / Six month forward



Asian Product Futures (close) – Six month historical / Six month forward





Week Ending: Friday, 6 July 2007

EIA Petroleum Inventory Report
Week Ending 29 June 2007

Crude:
↑ 3.15m bbls

Gasoline:
↑ 1.85m bbls

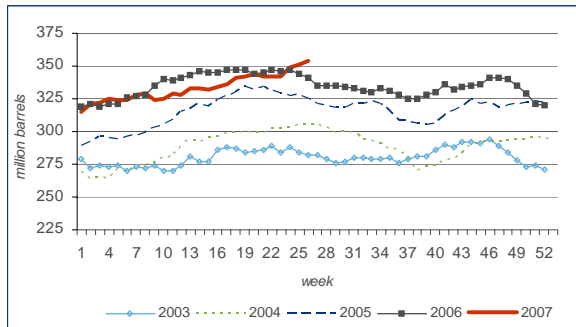
Distillates:
↑ 1.16m bbls

Utilisation:
90.03% (↑)

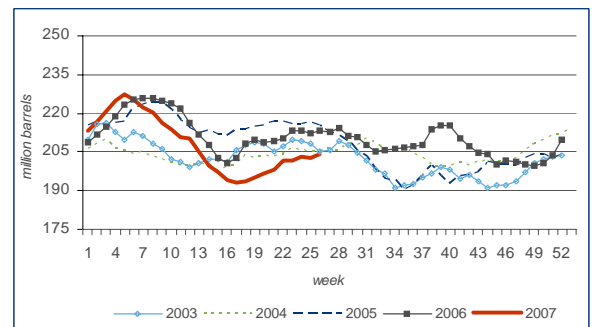
EIA Petroleum Commentary:

This week's EIA inventory report showed sharp increases in crude stocks and higher-than-expected gains in gasoline and heating oil, bringing the total weekly build to more than 8m bbls and narrowing the year-on-year inventory deficit. The most interesting news in the report, however, was the implied demand data which shows that demand for products declined by 2.2% overall, with gasoline demand down 0.9% and distillate demand down 2.7% from 2006 levels. (Although the EIA has made downward revisions to its preliminary demand data for the last three months so it could still change.) Refinery utilisation rates breached the psychological 90% level last week and weekly gasoline production hit the highest level ever recorded since the EIA began collecting gasoline data in 1982. Gasoline stockpiles rose 1.85m bbls to 204.4m last week. Crude inventories rose 3.15m bbls to 354m bbls last week, 5.2% higher than the same week last year and their highest level since 1998. The inventory gain is tied to the 277k bpd increase in crude imports; higher imports despite already bulging stocks. Inventories at Cushing registered another week of declines.

US Commercial Crude Inventories:



US Commercial Gasoline Inventories:



US EIA Weekly Petroleum Statistics

Date: Thursday, 5 July 2007

	For the Week Ended		Weekly	Weekly		Annual
	29-Jun-07	22-Jun-07	Nom Chg	% Change	30-Jun-06	Change
Inventories (M bbls)						
US Crude Oil Stocks (excl. SPR)	354.0	350.9	3.2	0.9%	341.3	3.7%
Motor Gasoline Stocks	204.4	202.6	1.9	0.9%	213.1	-4.1%
Distillate Fuel Stocks	121.6	120.4	1.2	1.0%	127.3	-4.5%
All Other Oils	346.5	344.4	2.1	0.6%	363.4	-4.6%
Total Excl. SPR	1,026.6	1,018.3	8.2	0.8%	1,045.1	-1.8%
SPR	690.3	690.3	0.0	0.0%	688.6	0.2%
Total	1,716.8	1,708.6	8.2	0.5%	1,733.7	-1.0%
Net Imports ('000 bpd)						
	4 Weeks Ending		Weekly	Weekly		Annual
	29-Jun-07	22-Jun-07	Nom Chg	Change	30-Jun-06	Change
Crude Oil	10,530	10,395	135	1.3%	10,648	-1.1%
Petroleum Products	2,435	2,488	(53)	-2.1%	2,152	13.2%
Total	12,965	12,883	82	0.6%	12,800	1.3%
Refinery Activity ('000 bpd)						
Crude Oil Input to Refineries	15,544	15,430	114	0.7%	15,940	-2.5%
Refinery Capacity Utilisation	90.0%	89.4%	0.6%	0.7%	93.1%	-3.3%
Motor Gasoline Production	9,402	9,342	60	0.6%	9,207	2.1%
Distillate Fuel Oil Production	4,010	3,990	20	0.5%	4,164	-3.7%



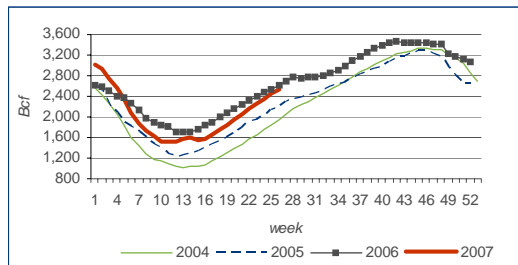
US Natural Gas

Last Friday, front month natural gas touched \$6.660 before settling at \$6.773, up 11.8¢ from Thursday's close and down 48.7¢ for the week but halting what has felt like a freefall in prices. However, the price decline continued this holiday week in quiet trade as mild weather in the US trimmed summer cooling demand. By Thursday, August natural gas closed down 13.6¢ at \$6.618. The EIA report on working gas in storage was released on Friday and showed a 78 Bcf build in inventories bringing them to 2,521 Bcf, 84 Bcf lower than this time last year but 364 Bcf above the five year average.

US EIA Working Gas in Underground Storage

Date: Friday, 6 July 2007

all volumes in Bcf	For the Week Ended		Weekly	30-Jun-06	Annual
	29-Jun-07	22-Jun-07	% Change		% Change
East Region	1,278	1,224	4.4%	1,402	-8.8%
West Region	376	366	2.7%	361	4.2%
Producing Region	867	853	1.6%	842	3.0%
Total Lower 48	2,521	2,443	3.2%	2,605	-3.2%



Shift to Less Risky Assets?

Over the last few weeks, the US dollar hit a 26-year low against the British pound, not only because of the recent interest rate hike by the Bank of England, but also because the US dollar continues to be plagued by troubles in the US sub-prime mortgage market which could hurt the broader economy. Traditional equity markets have also had a bumpy ride as traders weigh earnings reports against a potential consumer credit crunch. The jump in pricing in the credit derivative markets, news that Bear Sterns injected \$1.6bn into two of its funds, and more companies shelving their high yield bond offerings are adding to fears that the sub-prime correction will spread. While there may be independent reasons for each of these events, there appears to be a shift in sentiment away from high risk assets.

So far, the market correction has been orderly and focused primarily on debt-related instruments. The question is whether the sub-prime market will impact other liquidity-driven markets, like commodities. This issue is particularly important in the oil markets because of the influence of financial investors on absolute prices and volatility of prices. In 1H07, commodities outperformed bonds and barely lagged equities, largely driven by soaring corn and grain prices. Despite oil and metals prices being off last year's peaks, investor appetite for oil is at record highs with NYMEX announcing a record 1.485m in open interest contracts on Monday.

However, recent experience has illustrated that while oil is not immune from broader market sell-offs, investors appear to remain resilient. Structural problems in the pricing of WTI are making the GSCI and AGI commodity index less popular with investors. At the same time investors are becoming more sophisticated - becoming more active, investing anywhere along the curve, entering short positions, and using structured products. These changes certainly are a sign of maturation in energy as a new asset class, but not necessarily a sign of impending doom.

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Calendar Terms*:

GDP: Gross Domestic Product (GDP) is the broadest measure of aggregate economic activity and encompasses every sector of the economy.

US Consumer Price Index: CPI is a measure of the price level of a fixed market basket of goods and services purchased by consumers. CPI is the most widely cited inflation indicator.

US Durable Goods Orders: Durable Goods Orders reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods. This figure is an indicator of how much work factories have in the months to come and is particularly important in the US equity market.

US FOMC: The Federal Open Market Committee consists of the seven Governors of the Federal Reserve Board and five Federal Reserve Bank presidents. The FOMC meets eight times a year in order to determine the near-term direction of monetary policy. The Fed determines interest rate policy at FOMC meetings.

US IFM Mfg Index: The Institute for Supply Management surveys nearly 400 manufacturing firms on employment, production, new orders, supplier deliveries, and inventories. A composite diffusion index of national manufacturing conditions is constructed, where reading above (below) 50 percent indicate an expanding (contracting) factory sector.

US International Trade Report: Released monthly on a one month lag, the US international trade report measures the difference between imports and exports of both tangible goods and services. The data can directly impact all financial markets, but especially the foreign exchange value of the dollar. The market will be watching the export figures carefully to support its case that the US economy is still growing.

US Producer Price Index (PPI): A measure of the average price level for a fixed basket of capital and consumer goods paid by producers. measures price changes in the manufacturing sector. Inflation at the producer level often gets passed through to the consumer price index (CPI) and can be a useful forecast for economic pressures that are developing.

US Retail Sales: Retail sales measure the total receipts at stores that sell durable and nondurable goods. Because consumer spending accounts for two-thirds of US GDP it is a key element in economic growth. The changes in retail sales are widely followed as the most timely indicator of broad consumer spending patterns. While US Retail sales influence the stock and bond markets more than energy markets, it is of growing importance as the market watches for any impact of soaring energy prices.

US Industrial Production: The index of industrial production shows how much factories, mines and utilities are producing. While industrial production accounts for less than 20% of US GDP, it accounts for nearly all of its cyclicity. The data, which includes capacity utilisation (inflationary pressures if above 85%), is important to the US Federal Reserve in its consideration of monetary policy, and thus the value of the USD.

* Sourced from Bloomberg