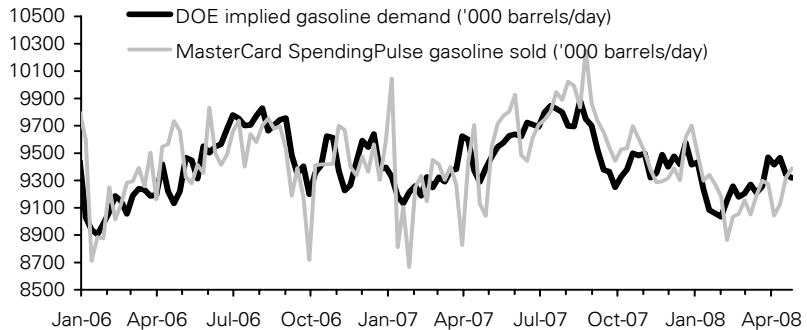



**Economic &  
Commodity Research**

# Commodities Daily

## Oil stages a rebound

### Gasoline: US demand still down year on year



Sources: DOE, MasterCard Advisors, Bloomberg, Commerzbank Corporates and Markets

**Energy:** In its latest global economic outlook, the IMF predicts world growth of only 3.7%, down 0.5% on the figure predicted in January. Nor does it rule out an even more serious retreat to below 3% p.a., owing mainly to the US financial crisis. Other industrial nations are likely to be affected too, as are the emerging economies. Nevertheless, last Friday's US employment report and factory order intake figures gave a boost to both the dollar and oil prices. The latter is also being bolstered at present by geopolitical developments around the globe. The Turkish armed forces attacked Kurdish bases in Northern Iraq on Friday. The strike is unlikely to have any direct impact on Iraqi oil production or exports, but will further unsettle the region responsible for providing a large proportion of the world's oil exports. Another source of support will no doubt be Ayatollah Ali Khamenei's statement on Sunday that Iran would adhere to its nuclear programme. There have been additional attacks on Nigerian oil facilities as well, this time hitting Royal Dutch Shell, which will give rise to concern about the biggest African producer's production prospects. In the run-up to a referendum in Santa Cruz, Bolivia's richest province, the government "nationalised" four more energy companies. Santa Cruz, which has large oil and gas deposits voted with an overwhelming majority for bigger autonomy at the weekend. In our view, increasingly nationalistic attitude towards commodity reserves worldwide plus short-sighted decisions on expropriating the property of foreign investors should support commodity prices in the longer term. The weaker oil price at the start of last week triggered a reduction in non-commercials' net long positions of 17 thousand contracts to 53.3 thousand. There is thus considerable scope for them to rise again, and given the proximity to the all-time high of \$120 a barrel, more gains seem likely.

Non-commercials' net short positions on natural gas in New York are still being scaled down, dropping by an additional 7 thousand contracts last week. Nevertheless, the short overhang of more than 94 thousand contracts remains so high that despite the seasonal drop in demand additional price rises cannot be ruled out, as there is still a threat of sudden short covering.

**Precious metals:** Non-commercials' net long positions for gold on the COMEX fell by 7 thousand contracts last week, but at 60.65 thousand are still at a fairly high level. Non-commercials' net long silver positions have actually increased yet again to 42.5 thousand contracts of 5,000 ounces each. We feel that there is strong support at present for precious metals at the current level, thanks to the weak dollar, relentless volatility on the financial markets and shrinking output in South Africa. Massive pay increases, lower-grade ore, deep mine shafts, power cuts and stricter safety regulations are all a handicap to production there. Gold Fields' South Deep mine has been closed down following fatal accidents last week that cost the lives of 14 miners.

**Base metals:** Copper is now on adjusted basis considerably cheaper in Shanghai than in London. Nor have prices on the SHFE risen today, even though they rose in the LME on Friday, suggesting that China is reluctant to buy at current prices and will be importing less. Continuing protests on the part of temporary workers at Codelco in Chile have given strong support to the price of copper recently. If, as we expect, the strikes end within the next few days, we expect an early correction to below \$8,000.

One longer-term problem for metal production worldwide is energy supplies. The power shortages in South Africa and China, and the drought in Chile, which has eaten into the water reserves available for hydroelectric power generation, mean that this sector remains in difficulties. The Congolese state-run utility company called on mining companies in the southern Katanga province on Friday to cut down their electricity consumption after some 2 km of power cables were stolen.

The LME is closed today for the bank holiday.

### Prices

Energy*	current	1 day	1 week	1 month	1 yr
Brent Blend	114.6	0.5%	-1.4%	9.8%	76%
WTI	116.3	0.3%	-1.7%	9.8%	88%
Gasoline RBOB	968.0	0.0%	-3.2%	3.6%	26%
Gasoil	1076.5	0.3%	-0.4%	12.1%	84%
Diesel	1104.5	0.3%	-3.7%	8.3%	78%
Jet fuel	1176.5	0.3%	-2.6%	11.1%	77%
Natural gas	10.8	0.5%	-4.0%	16.2%	36%

### Industrial metals\*\*

Aluminium	2840	2.8%	-2.5%	-0.5%	3%
Copper	8220	2.3%	-1.9%	-1.6%	6%
Lead	2579	0.2%	-6.6%	-9.9%	26%
Nickel	28350	0.2%	-3.7%	0.2%	-42%
Tin	22750	1.5%	-3.2%	14.9%	63%
Zinc	2190	1.4%	-4.3%	-5.7%	-43%

### Precious metals\*\*\*

Gold	857.9	0.8%	-3.3%	-4.6%	26%
Silver	16.4	1.3%	-2.3%	-6.2%	24%
Platinum	1897.5	0.7%	-2.9%	-5.1%	45%
Palladium	416.5	0.7%	-5.0%	-4.7%	12%

### Agriculturals\*

Wheat	796.0	0.8%	-2.9%	-17.7%	66%
Corn	602.0	-0.2%	0.1%	0.5%	58%
Soybeans	1292.5	0.0%	0.7%	1.3%	76%
Sugar	11.5	0.6%	9.3%	-0.1%	24%
Coffee	128.4	0.1%	-1.5%	-0.1%	26%
Cocoa	2721.0	0.7%	-4.0%	22.9%	46%

\* 1-month forward, \*\* 3-month forward, \*\*\* spot

### Inventory data

Energy*	current	1 day	1 week	1 month	1 yr
Crude oil	319929	-	1.2%	2.6%	-5%
Gasoline	211089	-	-0.7%	-7.9%	9%
Destillates	4238	-	3.0%	9.9%	4%
Jet fuel	105831	-	1.1%	-5.0%	-10%
Natural gas	1371	-	6.7%	7.4%	-17%

### Industrial metals\*\*

Aluminum LME	1037500	-0.1%	-0.6%	0.6%	26%
Aluminum COMEX	10924	0.0%	-4.8%	-23.3%	-13%
Aluminum Shang.	180818	-	-2.3%	4.3%	340%
Copper LME	109625	-0.4%	-1.0%	-2.2%	-29%
Copper COMEX	10827	0.0%	0.0%	-9.3%	-67%
Copper Shanghai	46473	-	-6.0%	-16.4%	-31%
Lead LME	57575	1.3%	5.0%	16.5%	35%
Nickel LME	51420	0.0%	-1.0%	2.4%	977%
Tin LME	7745	0.0%	-1.2%	-13.8%	-8%
Zinc LME	126925	0.1%	-1.4%	2.7%	33%
Zinc Shanghai	70314	-	-0.3%	-3.0%	-

### Precious metals\*\*\*

Gold	7760217	0.0%	0.6%	1.7%	-2%
Silver	133563	0.0%	-1.3%	-1.3%	2%
Platinum	1068	0.0%	0.0%	0.0%	63%
Palladium	4677	-0.7%	-0.7%	-10.6%	-27%

\*'000 barrels (DOE), \*\* metric tons, \*\*\* gold – oz., silver – '000 oz.

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**Commerzbank Corporates & Markets**
**Frankfurt**

Commerzbank AG

 DLZ - Gebäude 2, Händlerhaus  
 Mainzer Landstraße 153  
 60327 Frankfurt

 Tel: + 49 69 136 44440  
 Fax: + 49 69 136 40357

**London**

 Commerzbank AG  
 London Branch

 60 Gracechurch Street,  
 London  
 EC3V 0HR

 Tel: + 44 20 7653 7000  
 Fax: + 44 20 7653 7400

**New York**

 Commerzbank Capital  
 Markets Corp.

 2 World Financial Center, 31st floor  
 New York,  
 NY 10281-1050

 Tel: +1 212 703 4000  
 Fax: +1 212 703 4201