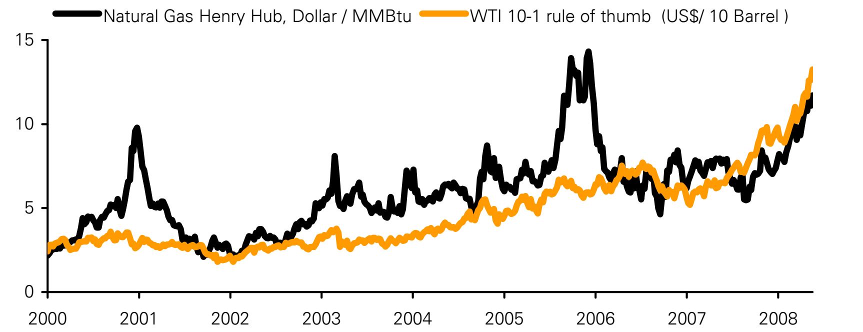
Economic & Commodity Research

Commodities Daily

Short breather before next advance

Gas rides on oil's coat tails



Sources: Baltic Exchange, Bloomberg, Commerzbank Corporates and Markets

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	130.5	1.5%	6.0%	13.7%	87.6%
WTI	130.8	0.9%	4.6%	11.6%	100.8%
Gasoline RBOB	333.0	0.8%	4.1%	10.0%	45.2%
Gasoil	1273.0	1.7%	7.7%	21.2%	113.5%
Diesel	1312.0	1.6%	6.9%	19.2%	108.9%
Jet fuel	1392.0	1.5%	7.2%	17.5%	110.5%
Natural gas	11.7	0.0%	5.4%	8.5%	50.8%
Industrial metals**					
Aluminium	2995	-0.7%	-2.2%	-4.0%	5.4%
Copper	8125	-0.6%	-4.3%	-5.6%	12.1%
Lead	2010	-0.5%	-14.6%	-28.8%	-6.1%
Nickel	23500	-2.1%	-12.9%	-19.9%	-50.2%
Tin	23750	-0.2%	-3.9%	-1.6%	71.4%
Zinc	2110	0.9%	-9.9%	-4.9%	-41.6%
Precious metals***					
Gold	921.9	0.2%	2.3%	2.1%	39.5%
Silver	18.0	0.6%	6.7%	5.5%	38.8%
Platinum	2163.0	0.6%	2.4%	9.0%	67.4%
Palladium	452.0	0.7%	1.8%	2.4%	21.4%
Agriculturals*					
Wheat	745.0	0.5%	-3.5%	-8.5%	57.1%
Corn	595.8	0.3%	1.1%	1.7%	62.1%
Soybeans	1324.8	0.9%	-3.0%	-2.5%	67.1%
Sugar	10.4	-1.2%	-7.4%	-13.3%	17.6%
Coffee	134.2	0.6%	-2.1%	-0.3%	20.5%
Cocoa	2574.0	0.5%	-3.3%	-9.7%	31.2%

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

Inventory data

Energy*	current	1 day	1 week	1 month	1 year
Crude oil	320442	-	-1.6%	2.2%	-7%
Gasoline	209413	-	-0.4%	-2.9%	6%
Destilates	4344	-	-0.2%	7.8%	4%
Jet fuel	107790	-	0.7%	1.6%	-10%
Natural gas	1614	-	5.6%	28.0%	-17%
Industrial metals**					
Aluminum LME	1073000	-0.2%	4.3%	4.5%	28.8%
Aluminum COMEX	10924	0.0%	0.0%	-4.8%	-11%
Aluminum Shang.	185917	-	-1.0%	0.5%	535%
Copper LME	125375	0.1%	3.4%	11.5%	-8.9%
Copper COMEX	10819	1.9%	0.6%	-5.6%	-65%
Copper Shanghai	45586	-	-11.5%	-18.9%	-54%
Lead LME	64000	0.2%	1.3%	19.3%	32.2%
Nickel LME	48690	-0.4%	-1.9%	-6.8%	612.5%
Tin LME	7410	-0.2%	-5.1%	-4.9%	-12.0%
Zinc LME	128675	0.1%	4.2%	-0.7%	62.5%
Zinc Shanghai	69130	-	-0.7%	-2.4%	-
Precious metals***					
Gold	7586739	0.0%	0.1%	-1.4%	-1%
Silver	133874	0.0%	0.6%	-1.3%	1%
Platinum	1068	0.0%	0.0%	0.0%	63%
Palladium	4618	-0.1%	-0.2%	3.5%	-29%

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

Energy: Oil marked a new record high at $135 a barrel, but then fall back to 'only' $131. The technical indicators show the market as being overbought, pushing some investors to profit-taking. In addition, a closer look at the US inventory data, which had initially been interpreted bullishly, revealed a number of weak points. While demand for gasoline, for example, had risen week on week for seasonal reasons, it is still somewhat lacklustre, and was down 1% year on year. The unexpectedly sharp dip in crude stocks of 5.3 million barrel also appears in a somewhat different light when the generous rise in capacity utilisation is considered, as greater utilisation also means higher output of distillates. The rally will probably only have been halted for a short time if at all, though. The NOAA's initial forecast for the hurricane season published yesterday drew attention to another driver of oil prices which will be very much in the minds of market players as of late summer. A worse than usual season, with an expected nine hurricanes, has been predicted. On top of this, the executive director of the IEA, Nobua Tanaka, put the cat among the pigeons with his announcement that the agency's long-term supply forecasts up to 2030 would probably have to be cut on account of oil fields being depleted more quickly than first envisaged. Initially, production on a scale of 116 million barrels a day was expected. Exact figures are due to be announced in November. However, it would be wise to bear in mind that it is also extremely difficult to make an accurate long-term demand forecast. Excessively high prices do after all encourage attempts to make more efficient use of energy sources. India has announced today that both gasoline and diesel prices will have to be increased. There is likewise pressure in other countries which heavily subsidise fuel to adjust to current conditions: Increases now seem inevitable in Chinese Taipei and Indonesia. The IEA estimates that China's subsidies amount to $45bn, or 5.2% of the national budget – figures which do not even take account of the latest price rises. Here, too, there is a growing threat of major adjustments having to be made.
Gas followed oil in NewYork, bucking the seasonal downward trend. Henry Hub rose to $11.7 per MMBtu, aided by news that inventories had increased by only 85bn cubic feet, which was slightly less than expected.

Precious metals: The oil rally and the weaker dollar benefitted precious metals too. Gold reached $935 per Troy ounce for a time, its highest level for four weeks, but retreated a little in later trading. Actual physical demand for all precious metals is weak at present. Gold Fields, Africa's biggest producer, reports plans to increase output and cut costs by means of increased mechanisation. Gold producers are basically sceptical about increasing production, though, and Newmont's CEO has said that little was being achieved by new exploration projects, all of which is good news for gold prices.

Base metals: These failed to keep up yesterday, on the contrary, all losing ground except aluminium. The three-month copper contract dropped back to $8,150 a ton. WBMS statistics reveal a slight surplus in the first three months of the year. Mining output was down 4% year on year, but refined copper production still increased 2% over the same perid, while demand stagnated at the year-ago level. Consumption in China was up 6%, but down 12% in the EU (27). We still see room for further correction here. Zinc lost more ground yesterday, despite continuing production losses in Anglo American Plc's Namibian Scorpion mine. It retreated to $2,100 a ton. its lowest price for two years. Australia's AIM Resources has started work on its Perkoa zinc project, with production scheduled to start in the second quarter of 2009 on a scale of 180 thousand tons a year. The warning issued by Teck Cominco Ltd. of shortages in 18 months on account of mine closures will probably not be heeded in the current market climate.

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