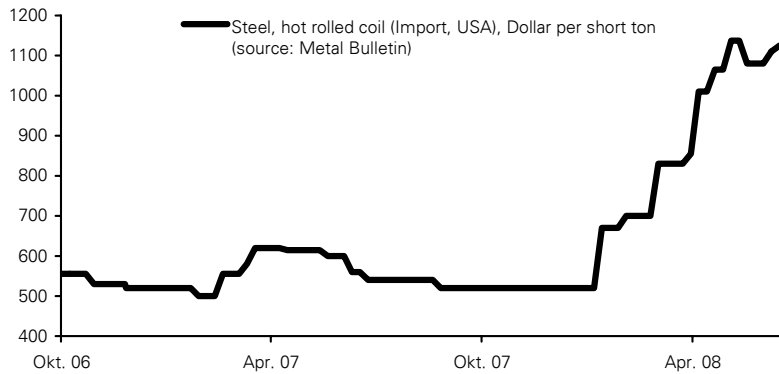



**Economic &  
Commodity Research**

# Commodities Daily

## Steel prices rally

### USA: steel prices on the rise



Sources: DOE, Bloomberg, Commerzbank Corporates and Markets

### Prices

Energy*	current	1 day	1 week	1 month	1 yr
Brent Blend	135.9	1.2%	2.9%	4.6%	93%
WTI	136.7	0.7%	2.7%	4.1%	99%
Gasoline RBOB	1164.0	-0.8%	0.4%	4.5%	53%
Gasoil	1244.0	0.6%	1.1%	-2.5%	98%
Diesel	1260.5	1.3%	1.2%	-4.5%	92%
Jet fuel	1318.5	1.2%	2.0%	-5.1%	90%
Natural gas	13.2	0.3%	2.3%	11.7%	86%

### Industrial metals\*\*

Aluminium	3141	-0.7%	2.8%	4.0%	16%
Copper	8400	-0.5%	3.3%	2.1%	12%
Lead	1865	-1.9%	-1.9%	-8.9%	-28%
Nickel	21850	0.0%	-9.7%	-9.4%	-42%
Tin	23325	0.7%	6.7%	-1.1%	70%
Zinc	1926	-0.8%	2.1%	-11.2%	-46%

### Precious metals\*\*\*

Gold	883.8	0.8%	0.9%	-3.7%	36%
Silver	16.8	0.8%	-0.8%	-6.9%	30%
Platinum	2039.1	0.4%	-0.7%	-5.5%	57%
Palladium	468.8	0.4%	2.2%	4.1%	25%

### Agriculturals\*

Wheat	866.3	-0.3%	-3.8%	14.8%	46%
Corn	724.3	0.0%	-2.5%	20.7%	97%
Soybeans	1515.0	-0.2%	-2.9%	10.5%	90%
Sugar	11.7	0.2%	6.1%	17.2%	28%
Coffee	143.8	0.6%	4.0%	7.9%	
Cocoa	3204.0	-0.4%	6.3%	23.8%	63%

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

### Inventory data

Energy*	current	1 day	1 week	1 month	1 year
Crude oil	300955	-	-0.4%	-7.6%	-14%
Gasoline	208910	-	-0.6%	-0.6%	3%
Destillates	4439	-	-0.8%	2.0%	11%
Jet fuel	116598	-	2.3%	8.9%	-5%
Natural gas	1943	-	3.0%	27.1%	-17%

### Industrial metals\*\*

Aluminum LME	1084800	0.1%	1.5%	1.1%	31%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-43%
Aluminum Shang.	179886	-	-1.9%	-4.2%	702%
Copper LME	123150	0.0%	-0.3%	-1.8%	5%
Copper COMEX	11040	0.0%	0.0%	2.0%	-51%
Copper Shanghai	33417	-	-1.7%	-35.1%	-65%
Lead LME	96750	1.2%	2.0%	51.2%	116%
Nickel LME	46296	-0.9%	-1.5%	-4.9%	413%
Tin LME	6735	-2.3%	-3.9%	-9.1%	-44%
Zinc LME	150025	-0.7%	4.3%	16.6%	105%
Zinc Shanghai	67960	-	-0.5%	-2.3%	-

### Precious metals\*\*\*

Gold	7605231	0.0%	0.0%	0.2%	2%
Silver	135972	0.0%	1.0%	1.6%	0%
Platinum	1070	0.0%	0.0%	0.2%	63%
Palladium	4519	0.0%	-0.2%	-2.3%	-25%

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

**Energy:** The price-dampening effect that many had hoped from the crisis meeting in Jeddah has not happened. Saudi-Arabia's pledge to increase production was already known and the additional expansion of Kuwait's output by 300 thousand barrels a day is not planned until mid-2009. Consequently, the price-supporting news from Nigeria still had the upper hand: besides the reported disruptions to output following terrorist attacks, the strike against Chevron is also fuelling fears of a shortage. The walk-outs could mean additional production losses of 350 thousand barrels a day. Furthermore, geopolitical tensions between the West and Iran on the country's nuclear program are centre stage again, following the EU's decision to impose further sanctions. At yesterday's meeting between ministers, it was decided to freeze foreign assets of Iran's largest state bank.

On the market for middle distillates, the situation could ease further, however, after energy prices were increased in China. Unipet, China's largest oil trader, announced that it planned to import less than 300 thousand barrels of diesel a day in July, compared to 600 barrels in June. Iran is also hoping for a revival in demand from refineries that can refine sulphurous oil. Some 13 to 15 loaded supertankers with a maximum capacity of 30 million barrels are currently sitting idle in the Persian Gulf, awaiting orders. The crack spreads for gas oil (heating oil) have already fallen sharply since 26 May, although they are still at a very high level for this time of year.

Henry Hub gas has also sustained its new summer high of 13.2 dollars a MMBtu. This is all the more remarkable as the net short positions on the NYMEX rose by 7 thousand contracts in the week up to 17 June.

**Precious metals:** While the oil market was unimpressed by the stronger dollar yesterday, the firmer Greenback did have a clear impact on precious metals: gold shed \$20 a troy ounce, silver 50 US cents. Whereas speculative investors on the gold and silver markets were quite restrained and net long positions were reduced, albeit only marginally, investor interest was essentially retained. ETF Securities has reported that managed assets have risen in the past two months by 1 billion dollars to now 6 million. A greater interest in platinum in particular is evident, with the Zürcher Kantonbank reporting a growth in assets under management last week of 20% to 62.3 thousand ounces. That said, the ZKB ETF is by far the less important of the two large platinum ETFs, with only around 10% of the total investments in platinum ETFs. At the same time, we do see renewed optimism from speculators: the number of net long positions on the platinum market has increased by 1000 contracts to 8.3 thousand contracts in the last two weeks. Investment in palladium also picked up last week in the wake of Norilsk Nickel's announcement on falling Russian inventories.

**Base metals:** Steel prices are continually hitting new records. In the Middle East, prices for August deliveries of rebars have soared to previously unseen heights around \$1500 tons. Spot prices have also surged again. The prices of hot-rolled steel in the USA have more than doubled since the start of the year to now over \$1100 a ton and the tendency is upwards. These huge price increases are not only due to strong demand, but also to the much higher costs owing to rising electricity and raw material costs (iron ore, coking coal). Negotiations between the Australian iron ore producer and Chinese steel producers should be concluded in the next seven days. Given the high steel prices, the state of the steel industry and the lower freight costs, prices can be expected to rise by 80%.

Aluminium lost a little ground yesterday because stocks on the LME continued to rise. Overall, though, the sharp increase in energy costs and the energy shortages in various regions across the globe are providing strong support.

**Additional information available on request**

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or the group companies mentioned in the document ("Commerzbank"). The document is intended for distribution to the bank's professional and institutional clients and not to its private clients.

Commerzbank Corporates & Markets (CBCM) is the investment banking division of Commerzbank AG, integrating debt, equities, interest rates and foreign exchange, with specific expertise in corporate risk and capital structuring.

Any information in this report is based on data obtained from sources considered to be reliable, but no representations or guarantees are made by Commerzbank Group with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. This report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report.

Commerzbank Group may provide banking or other advisory services to interested parties.

This report is intended solely for distribution to professional and business customers of Commerzbank Group. It is not intended to be distributed to private investors or private customers. Not for distribution to third parties. Commerzbank Group accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this report.

In compliance with statutory and regulatory provisions, Commerzbank has made internal organisational arrangements so as to prevent as far as possible any conflicts of interest in preparing and transmitting analyses. These include, in particular, in-house information barriers (Chinese walls). These barriers prevent giving analysts access to information that may cause conflicts of interest for Commerzbank AG with regard to the analysed issuer or its financial instruments. These information barriers also apply to any information not in the public domain to which Commerzbank AG may have access from a business relationship with the issuer. For statutory or contractual reasons, this information cannot be used in an analysis of the securities and are therefore not included in this report.

Commerzbank AG, its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report. Commerzbank AG, its executives, managers and employees may hold shares or positions, possibly even short sale positions, in securities included in this report or related investments

**Additional note to readers in the following countries:**

**Germany:** Commerzbank AG is registered in the Commercial Register at the local court (Amtsgericht) Frankfurt under the number HRB 32000 and supervised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). This report is intended to help customers make their own independent investment decisions, and is no substitute for investor and investment-based consulting. The information contained in this report was compiled with care.

**United Kingdom:** This report has been issued or approved for issue in the UK to professionals and business customers only, by Commerzbank AG, London Branch, which is authorised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and by the Financial Services Authority, regulated by the Financial Services Authority for the conduct of business in the UK, and is a member firm of the London Stock Exchange and incorporated in Germany with limited liability. It is not for distribution to or the use of private customers

**United States:** Commerzbank Capital Markets Corp. (a wholly owned subsidiary of Commerzbank AG) is a U.S. registered broker-dealer and has accepted responsibility for the distribution of this report in the United States under applicable requirements. Any transaction by US persons must be effected with Commerzbank Capital Markets Corp. Under applicable US law; information regarding clients of CCMC may be distributed to other companies within the Commerzbank Group.

**Italy:** You should contact Commerzbank AG London Branch if you wish to use our services to effect a transaction in any of the securities mentioned in this publication. This report has been issued for distribution in Italy only to professional customers as defined in article 31 of Consob regulation 11522/98 and later modifications.

© 2007 No part of this report may be reproduced or distributed in any manner without permission of Commerzbank Group. In particular Commerzbank Group does not allow the redistribution of this report to non-professional investors and cannot be held responsible in any way for any third parties who effect such redistribution.

**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