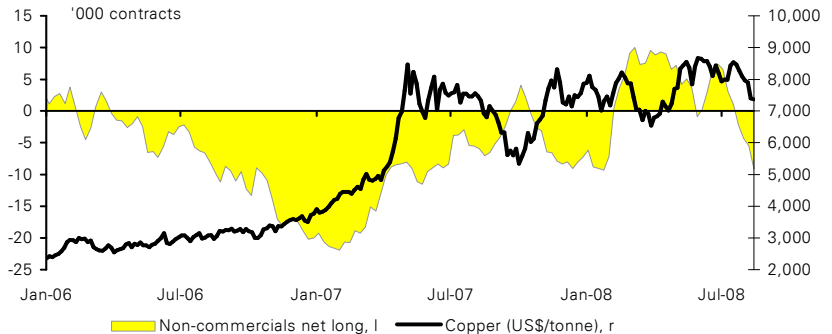



**Economic &
Commodity Research**

Commodities Daily

Firmer dollar weighs on oil and gold

Non-commercials bet on falling copper prices



Sources: CFTC, COMEX, Bloomberg, Commerzbank Corporates and Markets

Energy: WTI dropped below the \$114 a barrel mark again this morning. The dollar has risen to a six-month high against the euro, putting pressure on oil prices. On the other hand, supply risks and mounting geopolitical tensions are currently supportive, making a near-term retreat beyond \$110 unlikely. A hurricane has formed across the Caribbean and could hit the Gulf of Mexico in the next few days. Previous tropical storms this season have largely left oil production unscathed. If oil production in the Gulf of Mexico were to be seriously affected, though, this could well push oil prices up significantly. Tensions between Russia and the West have reached a new level after the Russian parliament's decision yesterday to recognise the independence of the two Georgian provinces of Abkhazia and South Ossetia. US Vice President Cheney plans to visit Georgia next week, one day after EU holds a special summit on Georgia. The current development warrants a rising risk premium on the price of oil as Georgia is an important transit country for oil deliveries from the Caspian sea, whilst Russia is the world's second-largest oil producer. According to the Turkish co-owner Botas, the BTC pipeline has meanwhile reached 70% of full capacity, corresponding to approximately 700,000 barrels of crude a day. The first tankers are set to be loaded in the Turkish Ceyhan today, after the pipeline had to close down operations due to a fire three weeks ago. New oil and gas deposits have been discovered in the Norwegian North Sea. The oil deposits amount to 100-125 million barrels of oil equivalents and the gas deposits to 4 billion cubic meters. These relatively small discoveries should calm fears of falling production in the non-OPEC countries only somewhat. China's oil demand appears to be weakening after the end of the Olympic Games, as expected. According to well-informed sources, Chinaoil, China's second-largest oil trader, may halt asoline imports next month as stockpiles are full to the brim.

Precious metals: A firmer dollar yesterday prevented gold from profiting from temporarily higher oil prices and falling equity markets and remained at \$820 a troy ounce. The dollar's upward trend would have to end for prices to rise much higher. Given the much worse than expected ifo business climate index, there is a risk of the dollar rising further and gold testing and even dipping below the \$800 level. Falling inflation rates from Germany and the Eurozone could extend the retreat of the euro and gold in the next few days. Owing to the rising physical demand and the robust investment demand, the downside potential of gold should be limited, however, so a certain level of decoupling from the EUR/USD can be expected. The strong demand for gold had prompted the US Mint to suspend the sale of American Eagles bullion coins temporarily. In the meantime, the allocation of coins has been resumed on a limited basis.

Base metals: The LME was closed yesterday due to a bank holiday. Copper on the Comex hovered at a converted \$7,600 a ton and therefore sustained its strong gains of last week. This is all the more remarkable because the latest CFTC data suggest that speculative investors are increasingly turning their backs on copper: the number of net short positions of non-commercials sharply rose again by nearly 4,000 contracts to a good 9,000 contracts in the week ending August 19. We recall that non-commercials were still net long positioned a month ago. The focus should remain on China in the next few weeks, which is by far the largest copper consumer. We are convinced that prices are still too high for any significant build-up of stocks. We anticipate a revival of import demand after production was reduced owing to the Olympic Games, but not a swift rise in demand. The mining companies in Zambia and the state-owned energy company Zesco agreed yesterday to increase energy prices retrospectively from 1 January, with Zesco in return guaranteeing a secure supply for the next three years. Zambia is responsible for 3,6% of global mine production and is the largest copper producer in Africa.

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	114.0	-1.0%	-0.4%	-9.4%	60%
WTI	115.1	-1.2%	-0.7%	-7.7%	60%
Gasoline RBOB	981.0	0.0%	4.3%	-4.5%	48%
Gasoil	1020.8	-0.5%	0.6%	-12.1%	64%
Diesel	1026.8	-0.5%	0.4%	-12.8%	58%
Jet fuel	1135.8	-0.4%	0.9%	-11.6%	66%
Natural gas	7.8	1.5%	-0.4%	-12.5%	44%

Industrial metals**

Aluminum	2790	-0.4%	0.9%	-6.4%	8%
Copper	7660	-1.3%	2.8%	-5.0%	3%
Lead	1880	0.3%	11.2%	-10.9%	-42%
Nickel	20850	-2.8%	12.3%	9.9%	-27%
Tin	20900	0.5%	8.8%	-6.0%	44%
Zinc	1830	-2.8%	7.2%	-3.6%	-43%

Precious metals***

Gold	822.0	-1.4%	-0.5%	-12.8%	21%
Silver	13.5	-2.3%	-0.3%	-24.2%	10%
Platinum	1433.0	-0.9%	4.5%	-19.1%	14%
Palladium	289.3	-0.4%	0.5%	-25.1%	-13%

Agriculturals*

Wheat	840.3	-1.5%	-2.1%	2.0%	14%
Corn	580.3	-0.9%	1.8%	-0.4%	68%
Soybeans	1339.3	-2.3%	3.3%	-6.4%	54%
Sugar	14.0	-0.2%	2.1%	12.2%	49%
Coffee	139.1	-0.2%	1.9%	1.1%	21%
Cocoa	2790.0	1.7%	8.7%	0.9%	54%

Currencies***

EUR/USD	1.475	-1.03%	-1.18%	-7.24%	6.99%
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* 1-month forward, ** 3-month forward, *** spot

Inventory data

Energy*	current	1 day	1 week	1 month	1 year
Crude oil	305937	-	3.2%	3.1%	-9%
Gasoline	196620	-	-3.1%	-8.2%	0%
Distillates	4405	-	1.5%	-7.0%	5%
Jet fuel	132068	-	0.4%	5.1%	2%
Natural gas	2655	-	3.4%	14.8%	-9%

Industrial metals**

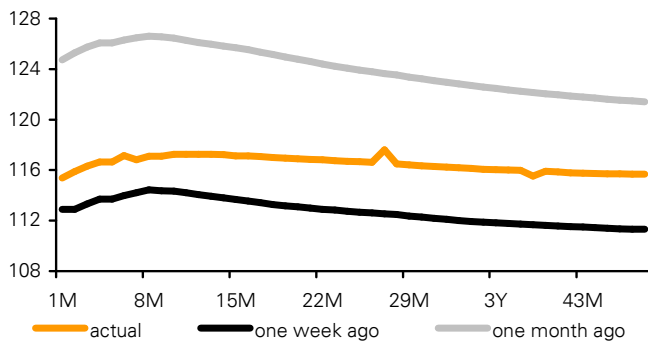
Aluminum LME	1164725	0.0%	3.2%	4.1%	40%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-41%
Aluminum Shang.	193514	-	-1.3%	2.3%	268%
Copper LME	166900	1.9%	8.0%	25.0%	33%
Copper COMEX	5390	0.0%	-0.3%	-24.3%	-74%
Copper Shanghai	21796	-	-12.2%	-49.2%	-70%
Lead LME	86425	-1.8%	-4.3%	-5.3%	232%
Nickel LME	47094	0.6%	3.7%	8.6%	123%
Tin LME	5950	2.9%	-3.4%	6.8%	-63%
Zinc LME	162525	-0.2%	-1.8%	7.2%	157%
Zinc Shanghai	72327	-	0.8%	2.0%	-

Precious metals***

Gold	8483331	-0.1%	2.5%	2.6%	20%
Silver	138826	0.0%	0.4%	-0.4%	4%
Platinum	1059	0.0%	0.0%	-0.8%	34%
Palladium	4458	0.0%	-0.1%	-2.1%	-32%

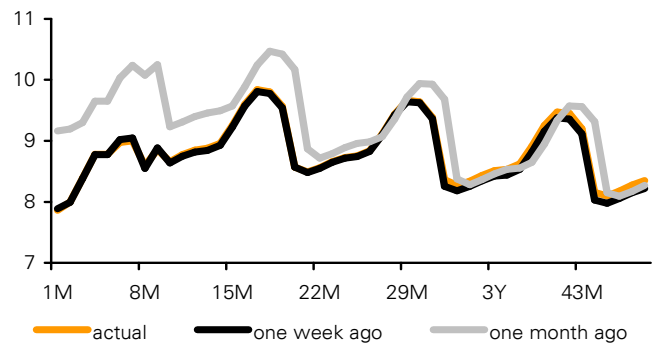
*'000 barrels (DOE), ** metric tons, *** gold – oz., silver – '000 oz.

GRAPH 1: Forward curve oil market (WTI)



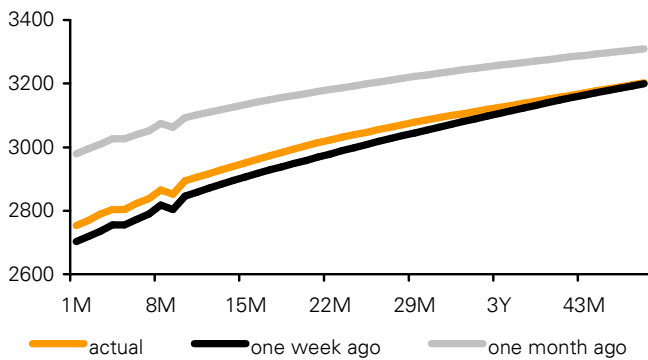
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



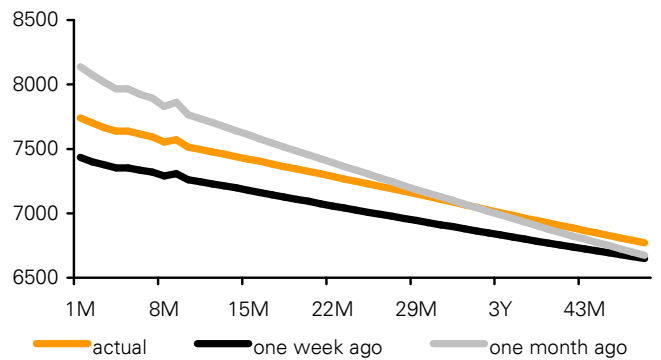
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



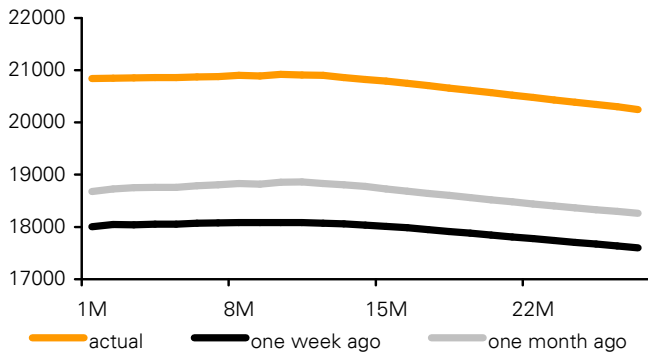
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



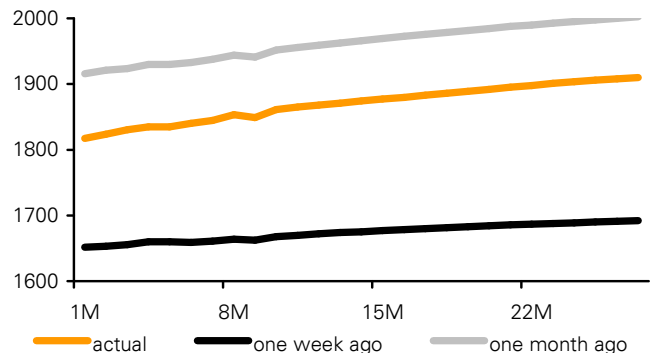
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



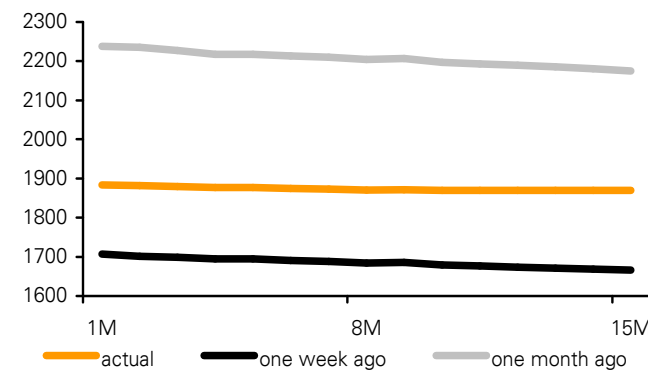
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



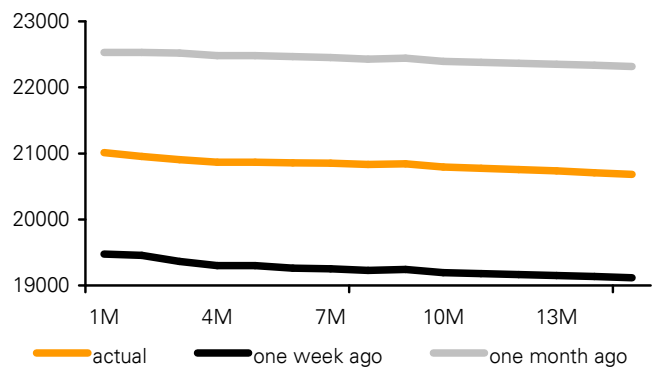
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Forward curve lead (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve tin (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

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