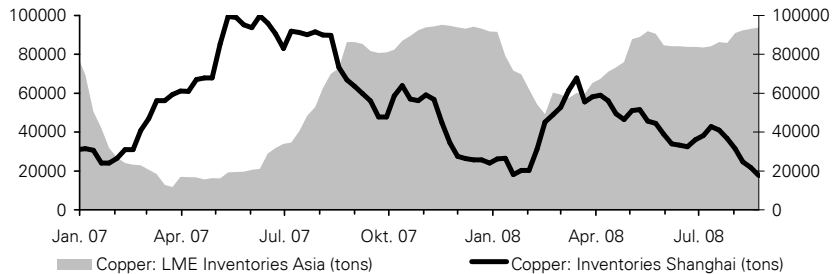



**Economic &
Commodity Research**

Commodities Daily

How long can oil defy Gustav?

Falling copper stocks in Shanghai only say half the truth



Sources: Bloomberg, Commerzbank Corporates and Markets

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	116.2	0.5%	-2.8%	-7.1%	66%
WTI	118.2	0.7%	-1.8%	-4.6%	66%
Gasoline RBOB	1006.0	0.0%	6.9%	-1.6%	47%
Gasoil	1041.5	0.8%	-1.8%	-9.6%	68%
Diesel	1050.5	0.8%	-1.1%	-10.0%	63%
Jet fuel	1166.5	0.8%	-0.4%	-8.7%	71%
Natural gas	8.6	0.9%	5.3%	-5.2%	55%

Industrial metals**

Aluminum	2765	-0.4%	-0.3%	-8.7%	9%
Copper	7650	-1.2%	0.6%	-5.4%	4%
Lead	2050	1.5%	17.5%	-6.3%	-34%
Nickel	21000	-2.9%	2.4%	8.8%	-26%
Tin	20500	-2.0%	-2.0%	-10.7%	36%
Zinc	1849	-2.1%	3.4%	-6.0%	-41%

Precious metals***

Gold	826.9	0.7%	-0.5%	-10.5%	26%
Silver	13.5	1.5%	-1.1%	-21.8%	16%
Platinum	1443.5	1.0%	-0.1%	-17.9%	16%
Palladium	292.0	0.9%	1.6%	-24.6%	-10%

Agriculturals*

Wheat	802.8	0.0%	-10.5%	0.7%	11%
Corn	577.5	-1.2%	-4.6%	-2.0%	74%
Soybeans	1348.0	-0.8%	-0.3%	-4.5%	56%
Sugar	13.6	0.5%	-3.4%	10.9%	45%
Coffee	143.8	0.6%	3.4%	6.9%	27%
Cocoa	2874.0	3.5%	12.0%	5.8%	63%

Currencies***

EUR/USD	1.473	0.25%	-0.92%	-6.21%	8.52%
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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	305760	-	-0.1%	3.5%	-8%
Gasoline	195441	-	-0.6%	-10.0%	1%
Distillates	4395	-	-0.2%	-5.0%	6%
Jet fuel	132125	-	0.0%	3.1%	2%
Natural gas	2655	-	3.4%	14.8%	-9%

Industrial metals**

Aluminum LME	1168125	0.5%	1.0%	4.1%	41%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-41%
Aluminum Shang.	193514	-	-1.3%	2.3%	268%
Copper LME	170050	1.3%	8.9%	25.0%	25%
Copper COMEX	5390	0.0%	0.0%	-24.3%	-74%
Copper Shanghai	21796	-	-12.2%	-49.2%	-70%
Lead LME	83500	0.2%	-7.3%	-8.0%	224%
Nickel LME	47160	0.6%	3.0%	6.3%	104%
Tin LME	5845	-1.1%	1.5%	5.4%	-63%
Zinc LME	161025	-0.1%	-1.6%	6.3%	155%
Zinc Shanghai	72327	-	0.8%	2.0%	-

Precious metals***

Gold	8603558	0.2%	3.2%	4.0%	22%
Silver	137911	-0.9%	-0.4%	-1.0%	3%
Platinum	1059	0.0%	0.0%	-0.8%	34%
Palladium	4466	0.0%	0.1%	-1.9%	-32%

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

Energy: Tropical storm Gustav is still lurking over the oil market. WTI initially rose to \$120 a barrel, only to fall back to \$114 within two hours. The trigger for this correction was the willingness of the US Department of Energy and the International Energy Agency to tap the strategic oil reserves should Gustav cause major production disruptions. In the meantime oil has slightly recovered to \$117, but it is still at an amazingly low level given the newsflow. According to the weather authorities, Gustav will reach the Gulf of Mexico on Saturday evening and the coast of Louisiana two days later, by which time it might have become a hurricane of category three or more. This would make Gustav the strongest hurricane since Katrina and Rita three years ago. Several oil companies including Shell, ConocoPhillips, Anadarko Petroleum and BP have already begun to evacuate workers. Shell has announced that it intends to remove all workers by Saturday, halting the production of 370,000 barrels of oil equivalent a day. The only deepwater oil port in the US, the Louisiana Offshore Oil Port, with a daily loading capacity of around 1 million barrels, should also stop operations at the weekend. The production of oil products should be hit even harder, though, as over 40% of US refineries are located near the Gulf coast. This makes significant price markups likely for gasoline, diesel and heating oil in the next few days. But Gustav is not the only thing that could disrupt oil market supply near term. As the Daily Telegraph reports, Russia could cease its oil supplies to Europe soon. The Russian government has allegedly ordered several oil companies to prepare to halt deliveries to Europe as soon as next Monday. This threat is most probably related to the special EU summit on Georgia next Monday, when sanctions against Russia could be imposed. Given this news, upside risks clearly outweigh for oil prices in the short term, making oil likely to reach and overcome the \$120 hurdle once again.

Henry Hub natural gas shed more than 10% yesterday at one point and briefly fell under \$8 per mmBtu. Stocks rose last week by 102 billion cubic feet, which was more than expected and much more than a year ago. Stocks at the moment are 2.5% above the 5-year average. Hurricane fears should allow the price of gas to climb again in the next few days as 15% of US natural gas is produced in the Gulf of Mexico.

Precious metals: Gold is still following closely in the steps of the currency market. Yesterday, gold reached an intraday high of \$844 a troy ounce when EUR/USD reached 1.48. A firmer dollar then let gold drop back to \$825 in the afternoon. Today's weaker economic data from the eurozone (falling business confidence, lower inflation) could weigh on the euro today and prevent gold from rising. In the medium term we foresee higher gold prices, owing to rising physical and investment demand. Silver is still on gold's trail. News that Mexico, the world's second-largest silver producer, has reported a 24.4% annual decline in silver production in June, is supporting the price. Platinum and palladium profited from hopes of rising industrial demand. Both metals should enter a bottom building process and rise again in the medium term.

Base metals: Chile, the world's largest copper producer, has reported a 5.5% year-on-year decline in copper production to 455,338 tons in July. In the first seven months overall, the decline was 2.3%, partly because of strikes in the spring and falling output at the world's largest copper mine Escondida. Despite the decline in production in Chile, accounting for a third of global copper production, LME stocks recently rose to over 170 thousand tons. At the same time, copper stocks in Shanghai fell to 17,625 tons, the lowest level since May 2005. We presume, though, that the latest reduction of stocks in Shanghai is partly due to the transfer of stocks between various warehouses in Asia, as LME stocks in Asia outside China have risen in this same period.

Eugen Weinberg

+49 69 136 43417

Eugen.Weinberg@commerzbank.com

Barbara Lambrecht

+49 69 136 22295

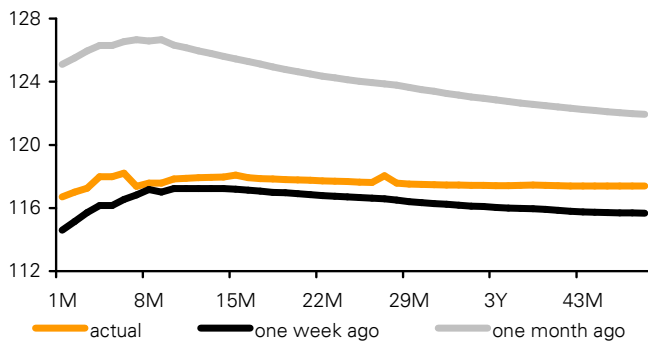
Barbara.Lambrecht@commerzbank.com

Carsten Fritsch

+49 69 136 21006

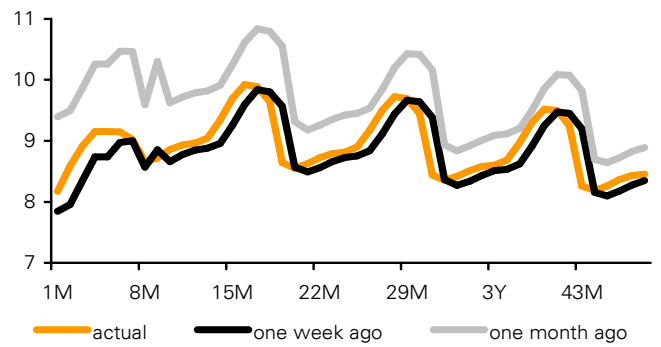
Carsten.Fritsch@commerzbank.com

GRAPH 1: Forward curve oil market (WTI)



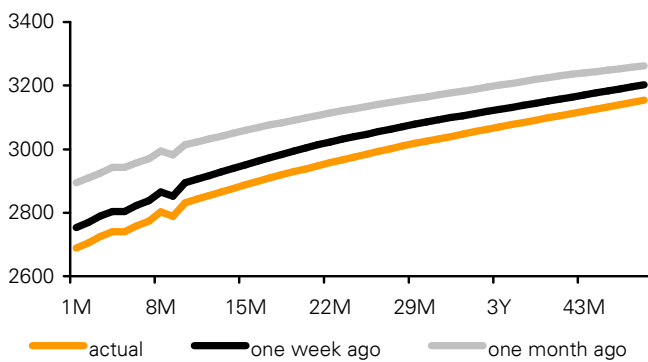
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



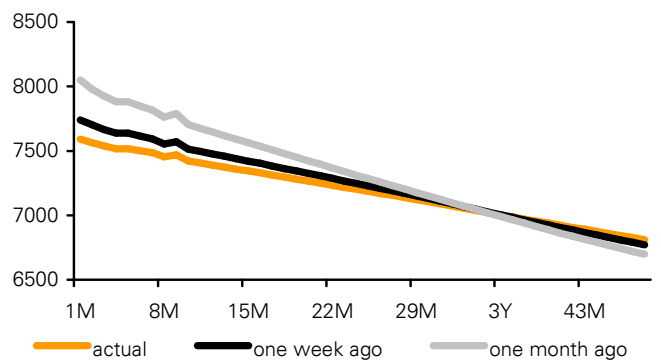
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



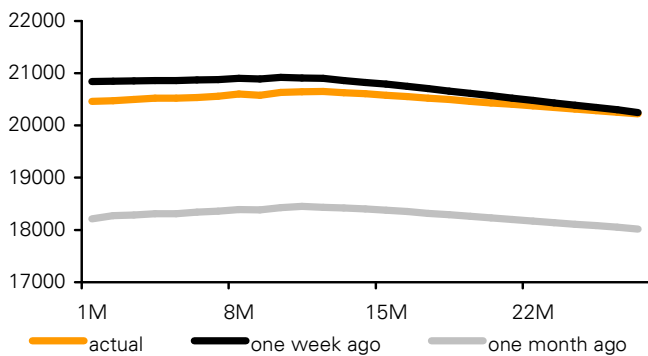
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



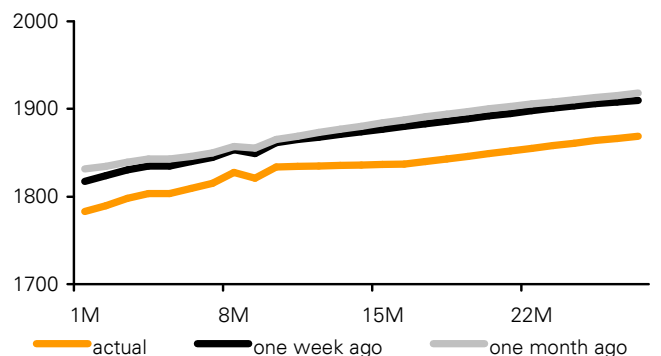
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



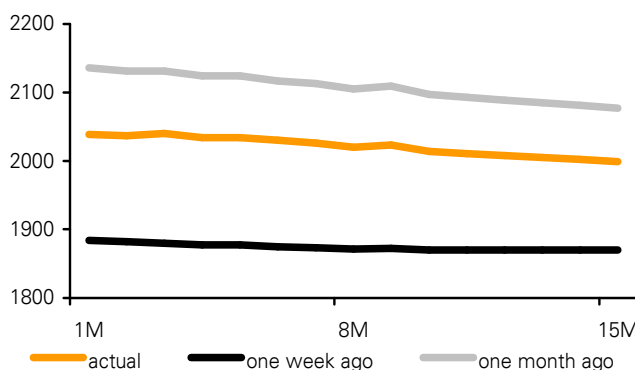
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



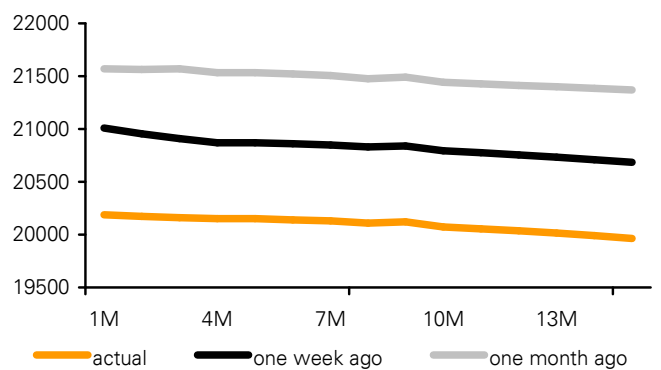
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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Commerzbank Corporates & Markets**Frankfurt**

Commerzbank AG

DLZ - Gebäude 2, Händlerhaus
Mainzer Landstraße 153
60327 FrankfurtTel: + 49 69 136 44440
Fax: + 49 69 136 40357**London**Commerzbank AG
London Branch60 Gracechurch Street,
London
EC3V 0HRTel: + 44 20 7653 7000
Fax: + 44 20 7653 7400**New York**Commerzbank Capital
Markets Corp.2 World Financial Center, 31st floor
New York,
NY 10281-1050Tel: +1 212 703 4000
Fax: +1 212 703 4201