


**Economic &
Commodity Research**

Commodities Daily

Precious metals Going for a Song

Gold: more sell-offs or a repeat of 2006?



Sources: Bloomberg, Commerzbank Corporates and Markets

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	99.0	-0.9%	-7.8%	-13.0%	28%
WTI	102.6	-0.9%	-5.8%	-11.2%	30%
Gasoline RBOB	926.0	0.0%	-2.0%	-3.0%	33%
Gasoil	921.0	0.8%	-4.6%	-8.9%	36%
Diesel	931.0	1.3%	-4.0%	-8.2%	32%
Jet fuel	1020.0	0.7%	-4.7%	-7.7%	38%
Natural gas	7.4	1.3%	2.3%	-10.3%	26%

Industrial metals**

Aluminum	2626	-0.9%	-2.8%	-8.1%	6%
Copper	6840	0.0%	-5.4%	-6.7%	-9%
Lead	1799	-1.3%	-6.1%	-7.7%	-41%
Nickel	18500	-0.5%	-4.2%	2.2%	-32%
Tin	18325	1.0%	-4.6%	-1.3%	22%
Zinc	1750	-1.4%	-4.8%	2.1%	-38%

Precious metals***

Gold	762.9	-2.7%	-7.2%	-10.1%	4%
Silver	11.0	-3.1%	-17.3%	-27.4%	-16%
Platinum	1188.5	-4.0%	-18.7%	-25.3%	-12%
Palladium	227.8	-4.5%	-24.6%	-32.5%	-35%

Agriculturals*

Wheat	711.5	-0.7%	-6.0%	-7.6%	-17%
Corn	522.5	-0.2%	-5.1%	4.9%	61%
Soybeans	1181.5	0.8%	-3.5%	-2.0%	32%
Sugar	12.1	-0.1%	-4.1%	-9.3%	30%
Coffee	136.0	0.5%	-2.3%	0.7%	17%
Cocoa	2562.0	1.0%	-3.1%	-3.7%	35%

Currencies***

EUR/USD	1.406	-1.02%	-3.14%	-6.85%	0.63%
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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	298034	-	-1.9%	0.4%	-8%
Gasoline	187942	-	-3.3%	-10.2%	-1%
Distillates	3921	-	-13.2%	-15.3%	-5%
Jet fuel	130460	-	-1.0%	-2.2%	-3%
Natural gas	2847	-	3.3%	15.7%	-5%

Industrial metals**

Aluminum LME	1184650	1.2%	0.9%	5.4%	34%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-41%
Aluminum Shang.	194139	-	0.6%	0.3%	205%
Copper LME	204125	0.1%	12.1%	34.6%	49%
Copper COMEX	5390	0.0%	0.0%	-5.3%	-74%
Copper Shanghai	19112	-	8.4%	-48.1%	-70%
Lead LME	75550	-0.5%	-4.0%	-17.0%	216%
Nickel LME	50802	0.8%	4.0%	12.5%	86%
Tin LME	5645	-0.4%	-3.0%	0.9%	-58%
Zinc LME	159375	-0.1%	0.6%	-1.7%	115%
Zinc Shanghai	70811	-	-0.7%	-0.8%	-

Precious metals***

Gold	8592782	0.4%	0.7%	2.3%	23%
Silver	138633	-0.3%	0.1%	0.4%	3%
Platinum	1059	0.0%	0.0%	-0.9%	34%
Palladium	4454	0.0%	-0.2%	-0.5%	-32%

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

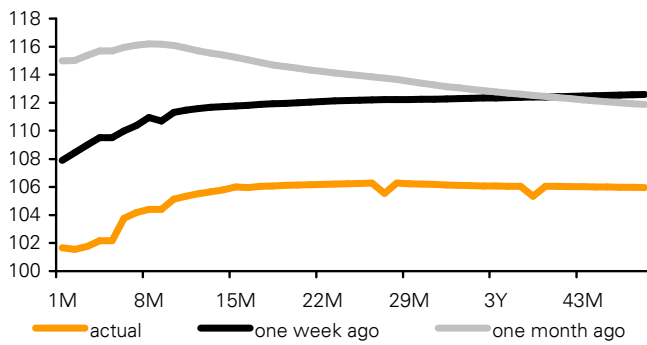
Energy: WTI is currently trading at \$103, after hitting a five-month low of \$101.36 yesterday. The Brent spot price is already well below this figure at \$97.50. So while Hurricane Ike is raging, oil is set to slip below the \$100 mark. According to the National Hurricane Center, Ike is due to reach category 3 in the next 36 hours and hit the Texan coast on Saturday. US authorities report that 96% of US oil and 73% of gas facilities in the Gulf of Mexico are currently shut down. The cumulative production losses caused by Gustav and Ike have already reached 14.1 million barrels of crude and 67.9 million cubic feet of gas. The inbound traffic on the Houston Ship Channel to the busiest petrochemical port in the US is halted and the Louisiana Offshore Oil Port, the country's largest deep water harbour, has likewise suspended the unloading of oil tankers. The outcome will no doubt be further bottlenecks and in turn further depletion of inventories. The data released yesterday by the Department of Energy already illustrated clearly how badly Hurricane Gustav hit oil production and processing. Crude stocks fell 5.8 million barrels last week, which was more than envisaged. The main reason was a drop in crude imports of 1.25 million barrels a day. Gasoline stocks were down 6.5 million barrels, also more than had been envisaged. Distillate stocks fell rather less than expected by 1.3 million barrels. Utilisation of refinery capacity was down no less than 10.4 percentage points to 78.3%, the lowest level since October 2005, when Hurricanes Katrina and Rita shut down production facilities for quite some time. Consequently, the cost of oil products can be expected to rise. The IEA yesterday again lowered its global demand forecast. Demand is now expected to increase by 100 thousand barrels fewer than previously envisaged this year, and 40 thousand barrels fewer in 2009. While US demand is likely to remain weak, the IEA still assumes that demand will be robust in the emerging economies and in China in particular.

Precious metals: As the dollar advances relentlessly, gold has hit an 11-month low of \$750 per Troy ounce. The USD index, which measures the dollar's performance versus a basket of six major currencies, has risen to its highest level for 11 months, and for the first time in a year, the euro has fallen to below \$1.40. As long as the greenback continues to strengthen, gold will no doubt remain on the defensive. True, some financial investors are also withdrawing capital from gold ETFs at the moment, but this should be only a temporary phenomenon. The World Gold Council (WGC) is expecting the number of gold ETFs to increase from the present 14 to 20 by next year in response to buoyant demand. WGC sponsored ETFs currently hold almost 800 tons of gold, which corresponds roughly one third of all annual global output. Healthy physical demand, stagnating supply and concern about the stability of the financial system as well as US debt accumulation all point to higher gold prices in the medium term, even if the turning point now seems likely to come somewhat later and at a lower point than first envisaged, and no significant impetus can be expected from the inflation front.

Base metals: Yesterday saw a slight recovery, with copper benefitting briefly from news of a 5.8 strength earthquake in northern Chile, although it was subsequently shown to have caused no damage to mines in the region. In addition, Freeport McMoRan reported that what it described as minor damage at its Grasberg mine had prompted a 1.6% cut in estimates of copper sales this year to 4.03bn pounds (1.83 million tons). The CEO was in any case optimistic about metal prices, and production in general is falling short of expectations on account of lower-grade ore.

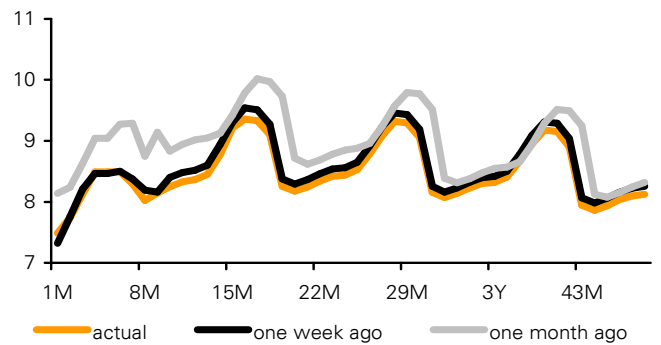
The sharp drop in aluminium prices on the LME forced producers to respond: Nalco, India's largest producer, cut its prices for the fourth time in two months; premiums for Japanese customers were also reduced for the first time in a year and by the biggest amount for five years. Following the major correction – aluminium ingots now cost the equivalent of only just over \$2,400 a ton on the Shanghai Future Exchange – is it questionable whether China will proceed with extending production capacities seen in the last years, which have already caused a glut. We expect considerable price gains for aluminium in the medium term.

GRAPH 1: Forward curve oil market (WTI)



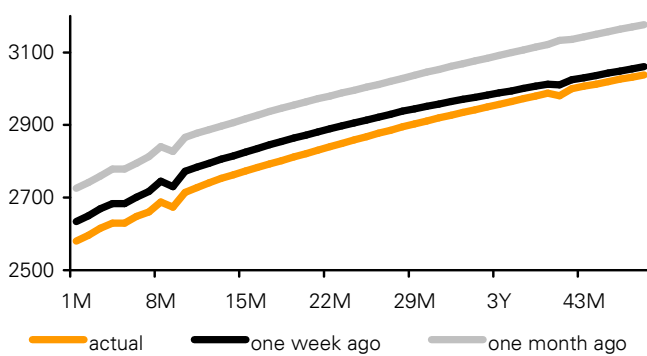
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



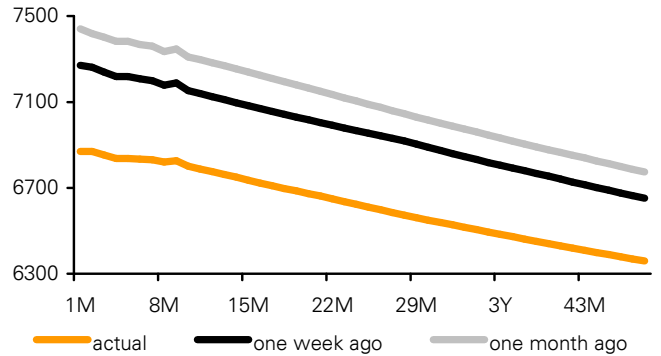
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



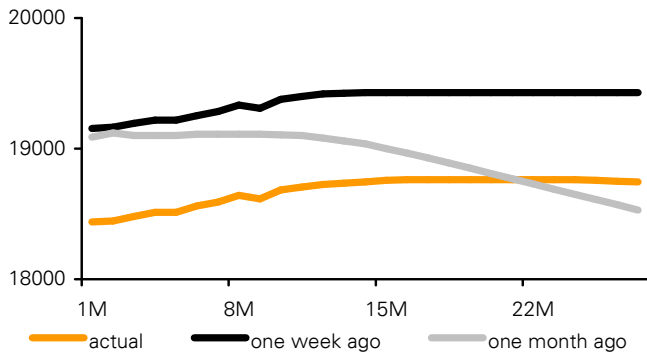
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



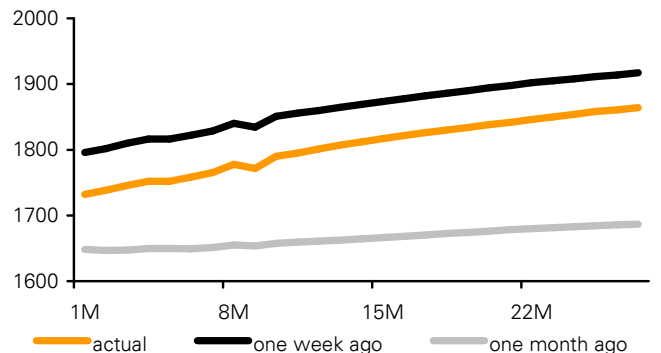
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



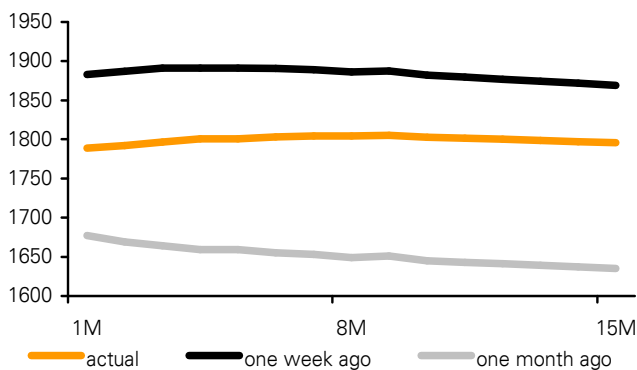
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



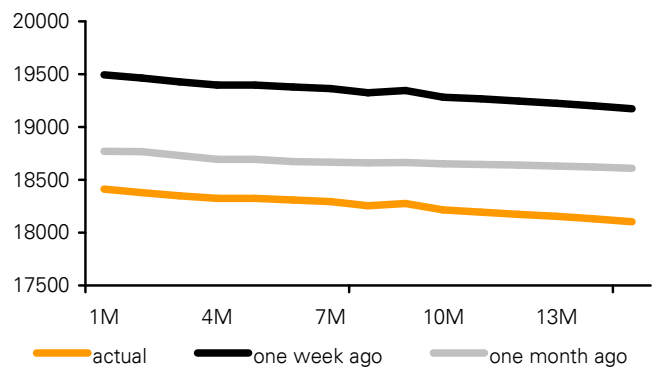
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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