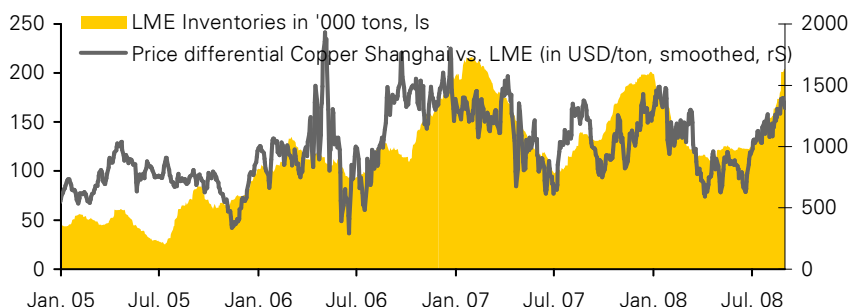



**Economic &  
Commodity Research**

# Commodities Daily

## Interesting weekend ahead

### Copper: High LME Inventories lead to widening price differential



Sources: Bloomberg, Commerzbank Corporates and Markets

### Prices

| Energy*       | current | 1 day | 1 week | 1 month | 1 year |
|---------------|---------|-------|--------|---------|--------|
| Brent Blend   | 97.6    | 0.9%  | -5.3%  | -11.3%  | 27%    |
| WTI           | 100.9   | 0.8%  | -4.3%  | -10.0%  | 27%    |
| Gasoline RBOB | 969.0   | 0.0%  | 2.5%   | 0.6%    | 38%    |
| Gasoil        | 928.8   | 0.9%  | -1.7%  | -8.0%   | 37%    |
| Diesel        | 936.0   | 1.8%  | -1.1%  | -7.3%   | 34%    |
| Jet fuel      | 1024.0  | 1.6%  | -1.7%  | -6.4%   | 41%    |
| Natural gas   | 7.2     | 0.0%  | -2.7%  | -13.0%  | 13%    |

### Industrial metals\*\*

|          |       |      |      |       |      |
|----------|-------|------|------|-------|------|
| Aluminum | 2620  | 1.0% | 0.0% | -4.5% | 8%   |
| Copper   | 6930  | 2.2% | 2.6% | -1.0% | -5%  |
| Lead     | 1855  | 2.6% | 5.4% | 9.4%  | -38% |
| Nickel   | 18500 | 3.2% | 2.7% | 5.5%  | -30% |
| Tin      | 18775 | 4.4% | 6.7% | 12.0% | 29%  |
| Zinc     | 1794  | 2.8% | 5.4% | 14.2% | -33% |

### Precious metals\*\*\*

|           |        |      |        |        |      |
|-----------|--------|------|--------|--------|------|
| Gold      | 744.3  | 1.4% | -5.4%  | -6.6%  | 6%   |
| Silver    | 10.6   | 2.5% | -11.1% | -25.1% | -14% |
| Platinum  | 1149.5 | 2.4% | -13.5% | -20.2% | -9%  |
| Palladium | 234.0  | 4.4% | -9.7%  | -21.7% | -27% |

### Agriculturals\*

|          |        |       |       |        |      |
|----------|--------|-------|-------|--------|------|
| Wheat    | 707.3  | 1.2%  | -1.9% | -9.4%  | -15% |
| Corn     | 522.3  | 0.2%  | -1.6% | 2.8%   | 54%  |
| Soybeans | 1216.0 | 0.1%  | 3.2%  | -0.2%  | 32%  |
| Sugar    | 11.9   | 0.4%  | -4.4% | -11.9% | 29%  |
| Coffee   | 136.7  | -1.7% | -6.4% | -1.1%  | 15%  |
| Cocoa    | 2588.0 | -1.5% | -4.3% | -4.5%  | 36%  |

### Currencies\*\*\*

|         |       |       |        |        |       |
|---------|-------|-------|--------|--------|-------|
| EUR/USD | 1.394 | 1.16% | -1.08% | -5.26% | 1.46% |
|---------|-------|-------|--------|--------|-------|

\* 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 | 2905    | -     | 2.0%   | 15.4%   | -5%    |

### Industrial metals\*\*

|                 |         |       |        |        |      |
|-----------------|---------|-------|--------|--------|------|
| Aluminum LME    | 1186575 | 0.2%  | 1.2%   | 5.6%   | 33%  |
| Aluminum COMEX  | 10924   | 0.0%  | 0.0%   | 0.0%   | -40% |
| Aluminum Shang. | 193201  | -     | -0.5%  | -0.7%  | 192% |
| Copper LME      | 203075  | -0.5% | 1.1%   | 33.9%  | 47%  |
| Copper COMEX    | 5390    | 0.0%  | 0.0%   | -3.1%  | -74% |
| Copper Shanghai | 13554   | -     | -29.1% | -57.0% | -77% |
| Lead LME        | 75075   | -0.6% | -4.0%  | -17.0% | 216% |
| Nickel LME      | 50922   | 0.2%  | 4.0%   | 13.6%  | 84%  |
| Tin LME         | 5580    | -1.2% | -5.3%  | 0.5%   | -59% |
| Zinc LME        | 159225  | -0.1% | 0.1%   | -5.1%  | 116% |
| Zinc Shanghai   | 71175   | -     | 0.5%   | -1.4%  | -    |

### Precious metals\*\*\*

|           |         |       |       |       |      |
|-----------|---------|-------|-------|-------|------|
| Gold      | 8592581 | 0.0%  | 0.6%  | 1.9%  | 23%  |
| Silver    | 137730  | -0.7% | -0.5% | -0.2% | 3%   |
| Platinum  | 1059    | 0.0%  | 0.0%  | -0.9% | 34%  |
| Palladium | 4445    | -0.2% | -0.4% | -0.7% | -32% |

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

**Energy:** WTI crude oil has managed to stay just above the \$100 a barrel mark thanks to Hurricane Ike. As the main negative factor, the US dollar, has stopped its ascent for the moment, the market can focus on other factors, which are creating suspense. Ike will reach land close to the Texan metropolis of Houston early tomorrow, home of very many refineries. The US Department of Energy has already warned about the implications of this on fuel supply. 11 refineries have already ceased operations at present, halting an output of 2.8 million barrels a day or 16% of US fuel production. This has prompted a rise in gasoline prices of over 6% and we anticipate a further increase, especially as US inventories are relatively low.

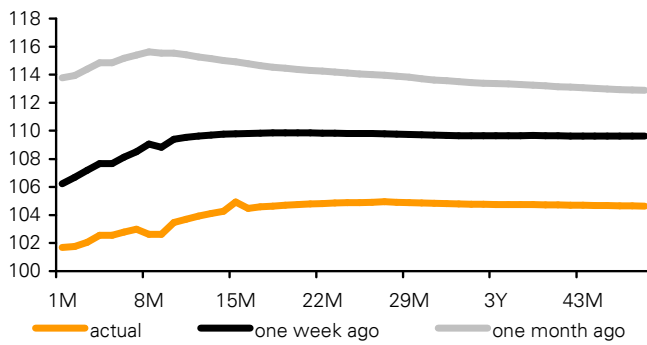
Russia plans to cooperate more closely with OPEC in the future. This would have significant long-term effects on oil prices, as OPEC and Russia together produce more than half of the daily oil production. Russia's interest in closer cooperation with OPEC can be explained both by the latest conflict with the West and the recent decline in domestic oil production, meaning a substantial fall in oil prices is even more painful, especially as huge amounts of foreign capital are currently being withdrawn from Russia. The desire to exercise greater control of prices is therefore understandable. Even so, we believe such cooperation is quite unlikely because the objectives of the potential partners are very different. OPEC is not aiming at price control but rather market equilibrium. Saudi-Arabia has announced, for example, that output will be delivered in line with demand and oil production will not be curtailed without weaker demand. This clearly tones down the announced OPEC production cutbacks at the start of the week. Tensions remain, though: it became public that the US government has now persuaded Sweden to reject the planned Baltic Sea pipeline. And maverick Venezuela is also causing new trouble by expelling the US ambassador just one day after Bolivia did the same thing.

**Precious metals:** Gold has recovered slightly at \$755 a troy ounce, after its 11-month low of \$736 yesterday. Concerns about the stability of the financial system persist and are supporting precious metals. Lehman Brothers shares fell yesterday by more than 40% and again by 25% in after-hours trading. Rumours are that talks are being held with the US-Treasury and the Federal Reserve about a complete sale of the bank, to take place at the weekend. After Bear Stearns in the spring and Fannie Mae and Freddie Mac in the summer, Lehman would be the fourth case of an almost collapse of a major financial institution within half a year. Overall, 11 US banks have already collapsed so far this year. Platinum and Palladium were able to gain substantial ground as well after both falling by over 20% since the start of September. We believe the recovery will continue.

**Base metals:** Yesterday was a relatively good day for base metals and the slight recovery was still intact this morning. Two factors helped copper to retake the \$7000 a ton hurdle: Firstly, it was reported that China's copper production fell in August by 3%, month-on-month. Secondly, the price gap between Shanghai and London has widened so much that this has evidently led to arbitrage buying on the LME. The main reason for the strong price premium in Shanghai is probably the fact that stocks there have fallen to a record low, whilst LME stocks have already exceeded the peak of the last cyclical stockbuilding in January this year. In addition, Freeport-McMoRan reported an explosion at the world's largest mine, Grasberg, in Indonesia. Although it appears that only the road has been damaged, the huge pessimism on the market at the moment means that even such reports can prompt a temporary rise in prices. We expect that, after a short break, prices will fall below \$7000 again in the coming months.

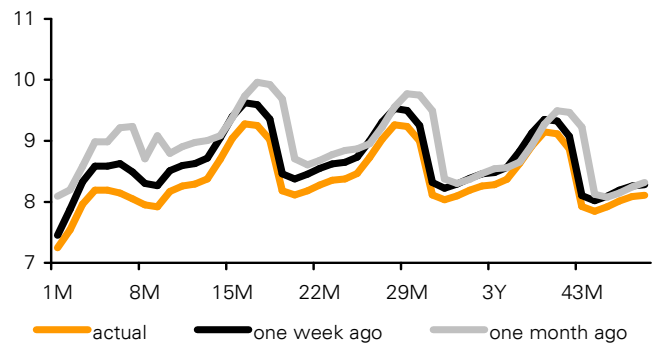
China's statistical office has reported an expansion of output in August of 4%, month-on-month. This is all the more surprising as not only were several smelters closed because of the Olympic Games, but the twenty largest producers had agreed in July on production cutbacks of up to 10%. Consequently, the problem of overproduction remains in the near-term, although we do still see an end to production expansion in the medium-term.

**GRAPH 1: Forward curve oil market (WTI)**



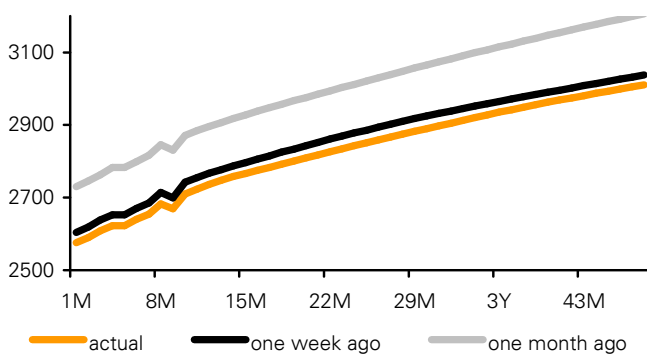
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 2: Forward curve gas market (Henry Hub)**



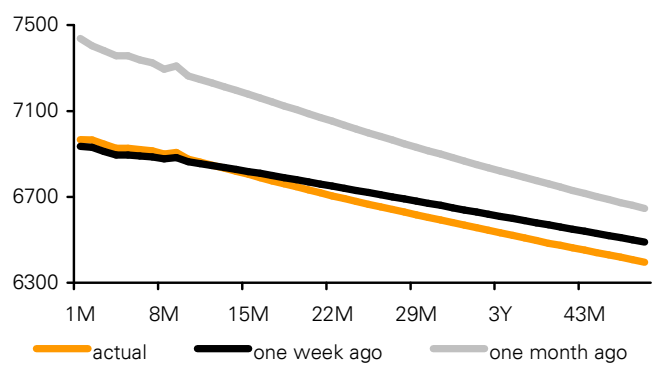
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

**GRAPH 3: Forward curve aluminium (LME)**



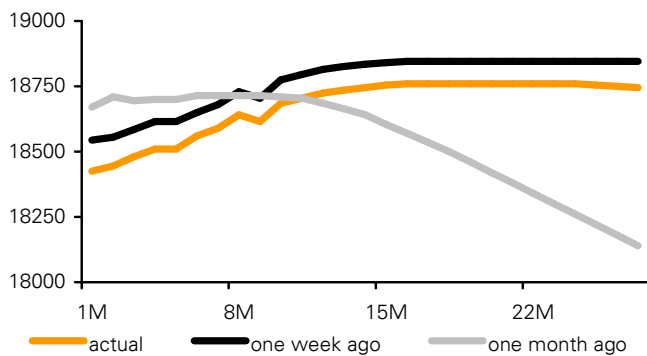
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 4: Forward curve copper (LME)**



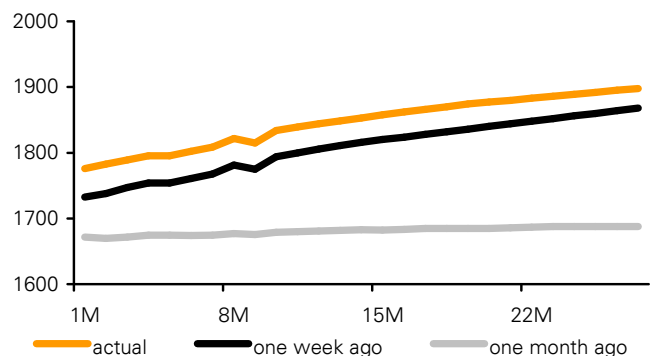
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 5: Forward curve Nickel (LME)**



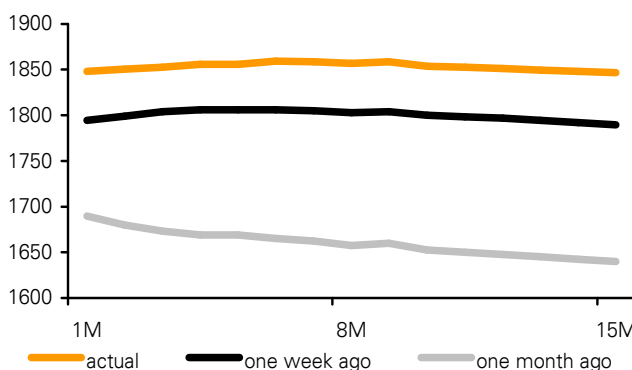
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 6: Forward curve zinc (LME)**



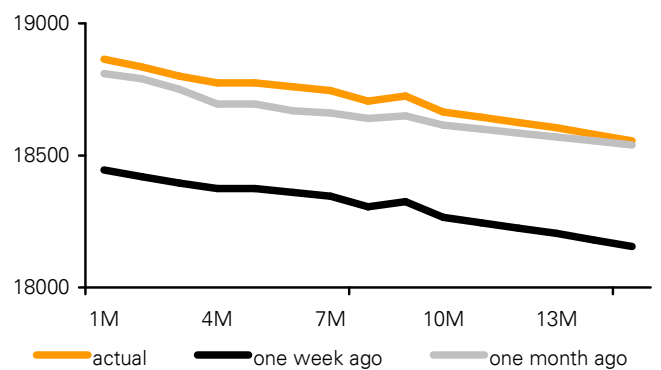
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**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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