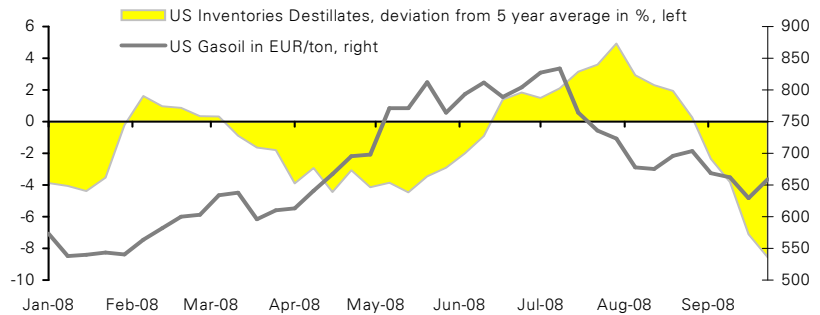



**Economic &  
Commodity Research**

# Commodities Daily

## Strain of economic gloom and dollar

### Euro weakness and low inventories prevent diesel prices from falling



Sources: DOE, Bloomberg, Commerzbank Corporates and Markets

**Energy:** WTI crude oil prices have shed \$5 since yesterday and are now trading at \$97 a barrel. The US ISM index dropped to a recessionary level in September, fuelling fears of global demand for oil declining even further. Oil prices were also hit by yesterday's US inventory data. Crude oil stocks had risen 4.3 million barrels, more than the 2.8 million envisaged, owing largely to a 1.8 million barrel increase in imports. The picture was mixed for oil products, though. Gasoline stocks were up a surprise 900 thousand barrels, whereas distillate stocks had shrunk more than expected by 2.4 million barrels. In other words, the inventory situation remains tight. Gasoline stocks are still only just above their 41-year low, and distillate stocks below their five-year corridor. As a result, even though crude prices fell, diesel and heating oil prices rose. A possible boost to oil products was undermined by the Department of Energy figures, which revealed that fuel demand over the past four weeks was down 7.1% on a year ago, and that gasoline demand in the US had fallen to its lowest level since September 2005. On Tuesday, the Department of Transportation already announced that the number of miles driven in July, usually the high point of the driving season, was 3.6% lower than a year ago. Even though demand seems likely to remain weak, we feel that insufficient attention is being paid to the supply-side risks. The US administration yesterday approved provision of another 900 thousand barrels from the country's strategic oil reserves. Almost 60% of US oil facilities in the Gulf of Mexico are still out of operation, and refineries are only slowly returning to normal capacity utilisation. Oil should therefore retake the \$100 hurdle soon once the dollar has stabilised again. The US Senate approved the rescue package by a clear majority yesterday, fuelling hopes that the House of Representatives will follow suit, and this should prevent oil from sliding any further.

**Precious metals:** Gold dropped to \$865 a Troy ounce and is now trading close to its two-week low. The dollar's strong advance of 4.5% since the start of the week is a major strain on gold prices. If the ECB were to indicate at today's meeting that a rate cut is coming closer, the dollar could receive an additional boost, maintaining the pressure on gold. Our currency experts are expecting the dollar's appreciation to continue. Strong demand at present for physical gold and bullion is having little impact on prices, as is the surge into gold ETFs. According to the World Gold Council, Europe's central banks sold off 357.2 tons of gold in the contract year just ended, again well short of the upper limit of 500 tons. It was also the smallest volume since the agreement was signed in 1999. According to the Council, the amount sold next year could be even smaller.

**Base metals:** Yesterday was not a good day, with copper bearing the main brunt of the US ISM purchasing managers' index plummeting to recession level. The price hit an 18-month low, and is now trading at less than \$6,200 a ton. Reports of production losses thanks to strikes are being ignored right now, even though another strike is planned at Freeport's Cerro Verde copper mine in Peru. Tin managed to buck the general trend and gain roughly 2%. It was supported by news that tin traders in the eastern Congo, Africa's number one tin producer, had abandoned business for the time being in response to outbreaks of violence in the region.

Other metal producers are reporting production cuts: Ohio Valley Aluminium is closing down its Boonville factory for a time, and Australia's zinc producer Ausmelt is halting production in Whyalla because it not sufficiently profitable. Production of secondary zinc was only launched officially in mid-year.

Demand for steel has started to ease off, and prices are falling, prompting Chinese customers to demand generous discounts on iron ore of up to 45% less than was paid as recently as June. India's ministry of mines reports that iron ore exports in the current business year to March 2009 are likely to be down a third on last year on account of weak demand from China, which absorbs three quarters of India's exports.

### Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	95.3	-1.2%	-9.9%	-13.0%	22%
WTI	98.5	-1.0%	-9.7%	-11.1%	22%
Gasoline RBOB	825.0	0.0%	-8.2%	-17.0%	20%
Gasoil	917.8	-0.2%	-5.4%	-6.5%	36%
Diesel	945.0	-0.9%	-5.2%	-5.3%	29%
Jet fuel	1013.0	-0.8%	-7.9%	-9.2%	37%
Natural gas	7.7	-0.2%	-0.2%	6.2%	4%

### Industrial metals\*\*

Aluminum	2412	-0.1%	-4.0%	-10.6%	-3%
Copper	6160	0.7%	-10.5%	-14.5%	-24%
Lead	1740	1.4%	-12.4%	-7.5%	-50%
Nickel	15950	0.9%	-5.7%	-17.1%	-48%
Tin	17550	1.1%	0.9%	-7.3%	13%
Zinc	1668	-0.2%	-7.5%	-6.5%	-46%

### Precious metals\*\*\*

Gold	887.0	-2.0%	-0.2%	7.5%	19%
Silver	12.8	-3.5%	-5.8%	-5.7%	-7%
Platinum	1029.0	-3.1%	-15.8%	-28.7%	-26%
Palladium	209.5	-2.1%	-18.1%	-29.3%	-41%

### Agriculturals\*

Wheat	669.8	-0.4%	-9.4%	-10.4%	-28%
Corn	484.0	0.1%	-13.2%	-12.4%	39%
Soybeans	1053.0	-0.4%	-11.4%	-19.4%	11%
Sugar	13.9	-1.2%	5.4%	8.3%	37%
Coffee	129.1	0.2%	-6.0%	-8.0%	-3.7%
Cocoa	2511.0	-0.4%	-8.8%	-6.3%	30%

### Currencies\*\*\*

EUR/USD	1.404	-0.97%	-4.59%	-4.28%	-1.77%
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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	294464	-	1.5%	-3.7%	-8%
Gasoline	179640	-	0.5%	-8.1%	-6%
Distillates	3678	-	12.9%	-16.3%	-10%
Jet fuel	123090	-	-1.9%	-6.8%	-9%
Natural gas	3023	-	1.7%	13.9%	-6%

### Industrial metals\*\*

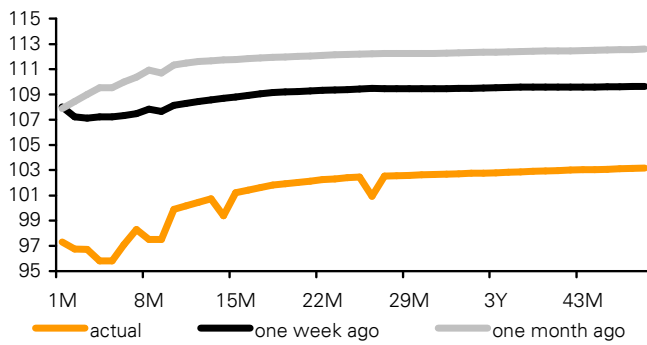
Aluminum LME	1376175	0.0%	0.5%	17.7%	47%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-38%
Aluminum Shang.	190134	-	-2.4%	-1.8%	185%
Copper LME	199075	0.0%	-0.7%	10.7%	52%
Copper COMEX	9921	0.0%	0.0%	84.1%	-51%
Copper Shanghai	16130	-	-5.5%	-26.0%	-66%
Lead LME	64700	0.9%	-2.8%	-19.0%	190%
Nickel LME	55974	-0.1%	4.0%	15.5%	70%
Tin LME	5700	0.0%	-3.1%	-0.7%	-59%
Zinc LME	154950	0.0%	-1.1%	-2.5%	155%
Zinc Shanghai	71356	-	0.2%	-1.3%	-

### Precious metals\*\*\*

Gold	8596414	0.1%	0.1%	-0.3%	21%
Silver	135504	0.0%	-0.4%	-2.2%	2%
Platinum	1058	0.0%	-0.1%	-0.1%	34%
Palladium	4330	0.0%	-2.3%	-3.0%	-32%

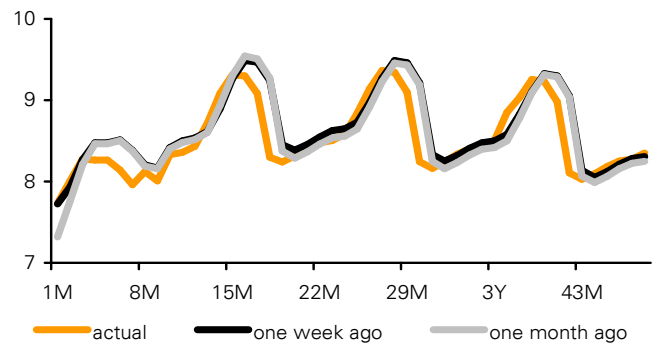
\*'000 barrels (DOE), \*\* metric tons, \*\*\* gold – oz., silver – '000 oz.

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



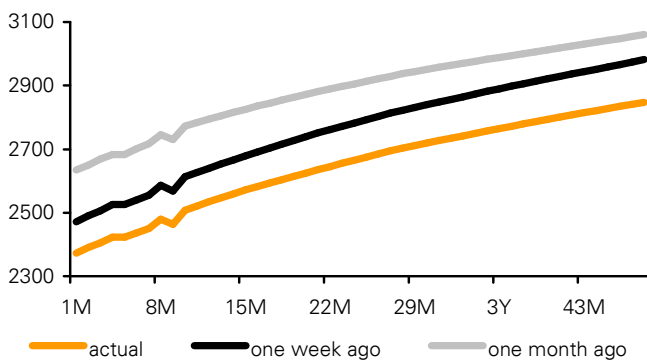
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



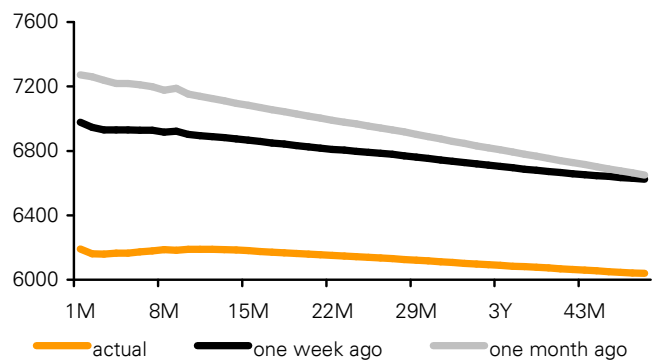
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

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



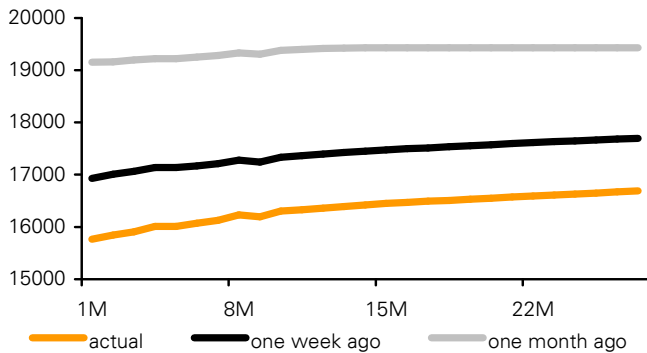
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



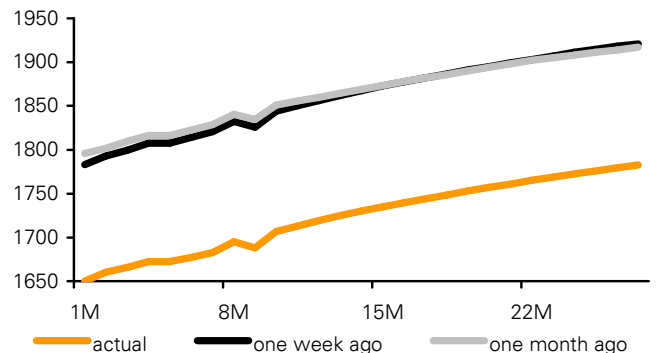
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



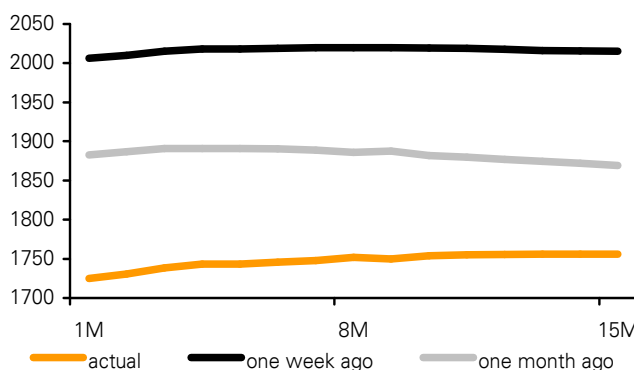
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



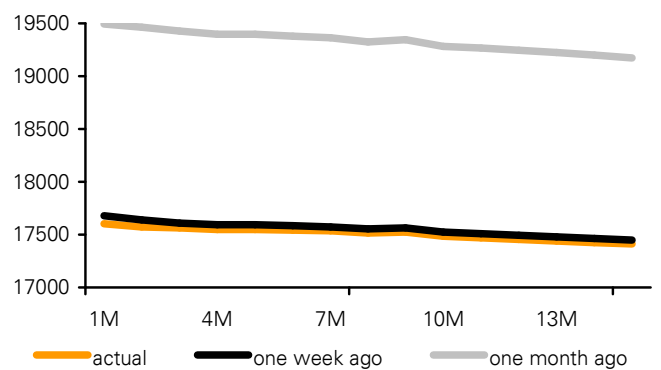
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**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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