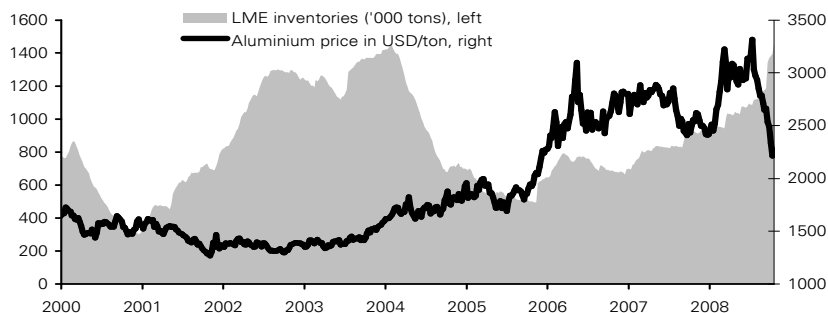



**Economic &
Commodity Research**

Commodities Daily

Bears regain the upper hand

Sharp rise in inventories weighs on aluminium prices



Sources: LME, Bloomberg, Commerzbank Corporates and Markets

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	74.5	-0.8%	-12.4%	-20.0%	-11%
WTI	78.6	-0.8%	-12.3%	-18.5%	-9%
Gasoline RBOB	663.0	0.0%	-8.6%	-32.1%	-9%
Gasoil	744.3	-1.7%	-7.6%	-18.7%	3%
Diesel	773.0	-0.7%	-7.5%	-17.9%	3%
Jet fuel	807.0	-0.7%	-6.6%	-19.4%	0%
Natural gas	6.7	0.0%	-0.2%	-8.7%	-10%

Industrial metals**

Aluminum	2282	-1.0%	0.2%	-12.0%	-9%
Copper	5300	-4.2%	-3.1%	-26.7%	-38%
Lead	1640	-6.4%	-2.5%	-17.0%	-60%
Nickel	12800	-3.9%	-6.8%	-32.1%	-61%
Tin	14995	-4.6%	-4.0%	-24.3%	-14%
Zinc	1410	-1.8%	-3.1%	-21.4%	-56%

Precious metals***

Gold	836.7	1.4%	-6.5%	7.9%	12%
Silver	11.0	-0.6%	-7.2%	-2.1%	-21%
Platinum	1027.5	-2.0%	0.4%	-14.7%	-29%
Palladium	199.0	0.6%	0.9%	-15.3%	-46%

Agriculturals*

Wheat	573.0	0.5%	-5.3%	-20.8%	-31%
Corn	411.3	-0.1%	-3.9%	-26.9%	13%
Soybeans	896.0	0.6%	-6.5%	-23.5%	-9%
Sugar	11.7	-0.9%	-2.4%	-4.4%	17%
Coffee	119.0	-0.8%	3.0%	-12.8%	-9.3%
Cocoa	2307.0	-0.7%	-2.2%	-11.8%	23%

Currencies***

EUR/USD	1.362	-0.12%	-0.38%	-4.49%	-4.23%
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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	302587	-	2.8%	-0.4%	-5%
Gasoline	186815	-	4.0%	-3.9%	-3%
Distillates	4029	-	9.5%	-10.8%	-3%
Jet fuel	122601	-	-0.4%	-6.9%	-9%
Natural gas	3198	-	2.8%	12.3%	-4%

Industrial metals**

Aluminum LME	1461225	4.0%	4.8%	23.2%	56%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-38%
Aluminum Shang.	205531	-	8.1%	5.9%	154%
Copper LME	211625	-0.1%	1.5%	3.6%	52%
Copper COMEX	9091	-3.6%	-6.7%	68.7%	-54%
Copper Shanghai	25681	-	59.2%	34.4%	-56%
Lead LME	61725	-0.9%	-3.6%	-16.1%	174%
Nickel LME	56034	-0.4%	1.8%	9.1%	55%
Tin LME	5325	-1.2%	-1.4%	-4.0%	-60%
Zinc LME	165800	0.1%	3.0%	4.4%	184%
Zinc Shanghai	72616	-	1.8%	2.6%	-

Precious metals***

Gold	8562462	-0.4%	-0.4%	-0.4%	17%
Silver	134147	0.0%	-1.2%	-3.3%	1%
Platinum	1058	0.0%	0.0%	-0.1%	34%
Palladium	4295	0.0%	-0.6%	-3.4%	-32%

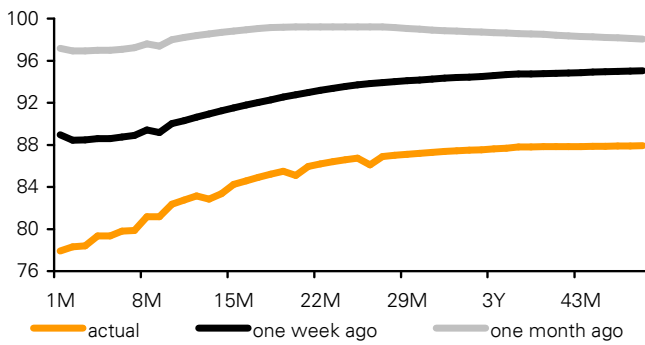
*'000 barrels (DOE), ** metric tons, *** gold – oz., silver – '000 oz.

Energy: WTI dipped below \$80 a barrel again yesterday, after initially reaching highs of \$85. Oil is following closely in the steps of equity markets, which also slipped into minus again yesterday after early gains. The psychological effect of the billion-heavy rescue measures of governments to shore up the banking system therefore appears to have fallen flat already. As we emphasised yesterday, the rise in oil prices at the start of the week was primarily a technical rebound after the strong losses in the weeks before. Nothing has changed in terms of the difficult fundamental picture. The market focus is now on the implications of the financial market crisis on the economy and demand. The coming weeks and months consequently hold potential to disappoint, which should prevent a longer-term rise in oil prices for the time being. We rather expect oil to move within a corridor of \$80 and \$100 in the next few weeks, with a temporary undershooting, as we are seeing right now, quite possible. China seems to be compensating for much of the demand fall in the USA at the moment and is therefore having a stabilising effect on oil prices. The rising marginal costs of production is making the development of new projects likely only in the event of higher prices. Moreover, production becomes unprofitable for suppliers with high-cost if prices continue to fall. This should prevent oil from retreating well below \$80 on a sustainable basis. Furthermore, OPEC is likely to cut production at the 18 November meeting. Iran has called upon oil producing countries to cooperate with one another to create a market balance, which would be characterized by oversupply and falling demand at the moment. Owing to Columbus Day on Monday, US inventory data will be published tomorrow, a day later than usual. The market anticipates a further rise in crude stocks, which would support the advocates of production cuts by the OPEC. The London based consultancy Lloyd's Marine Intelligence Unit estimates that OPEC exports fell by 600 thousand barrels in September, month-on-month.

Precious metals: Gold is virtually unchanged at \$850 a Troy ounce and has therefore failed to benefit from the renewed deterioration of market sentiment. The world's largest gold-backed ETF, SPDR Gold Trust, yesterday reported moderate outflows of 3 tons to 767.5 tons. But this still means that the SPDR has more gold than the BoJ as the seventh largest gold holder worldwide. Gold traders in India also report that the buying interest in the run-up to the Diwali festival of light at the end of October is being hampered by the large price fluctuations. This could explain why gold is struggling to take the \$900 hurdle on a lasting basis despite the sound fundamental backdrop. The physical demand for gold can be expected to pick up again at the current price level and should support another rally towards \$900 in the next few days and weeks.

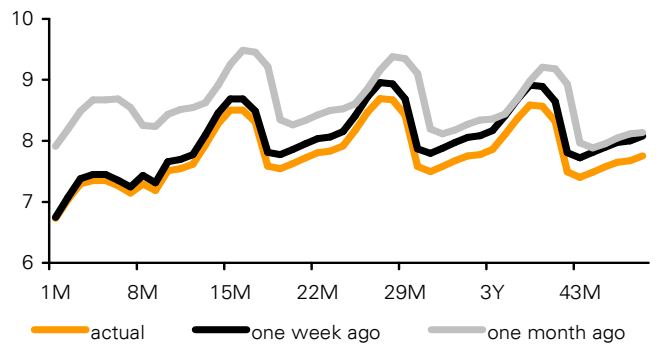
Base metals: The recovery of non-ferrous metals was short-lived. Concerns about even weaker demand have quickly gained the upper hand. And all base metals have lost ground. Aluminium has proven as relatively stable, as in the past few days, and lost less than one percent to \$2,270 a ton. The \$2,200 mark is thus proving a sustainable support for now. Marginal production costs should settle at around this level and serve as a solid barrier to further losses. This fits reports that China's aluminium producer Chalco wants to temporarily shut down capacities for the production of a million tons of alumina in its factory in Shandong because of the low prices. This means only 200 thousand tons would be produced, from a possible 1.5 million tons of alumina in this factory, since 300 thousand tons of production capacity has already been shut down on the back of the high costs. This closure equals around 10% of the total alumina production capacities of Chalco, the world's third largest producer of alumina, a preproduct of aluminium. This news bears out our view that the aluminium prices are building a bottom and have upwards potential in the medium term. In contrast, the LME stocks for aluminium continued to rise sharply. They rose again today by 4% or nearly 56 thousand tons to 1,461,225 tons, which puts them at their highest level for 14 years. This development should weigh against a recovery in aluminium prices for now.

GRAPH 1: Forward curve oil market (WTI)



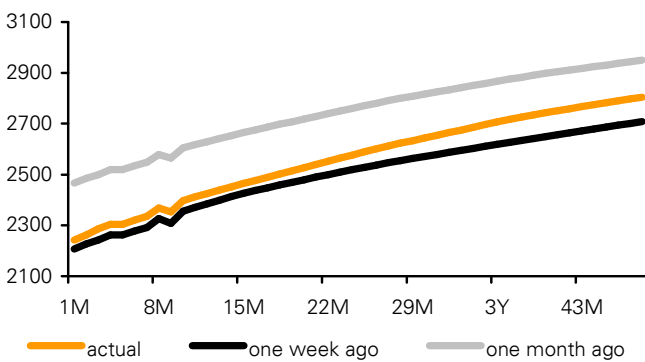
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



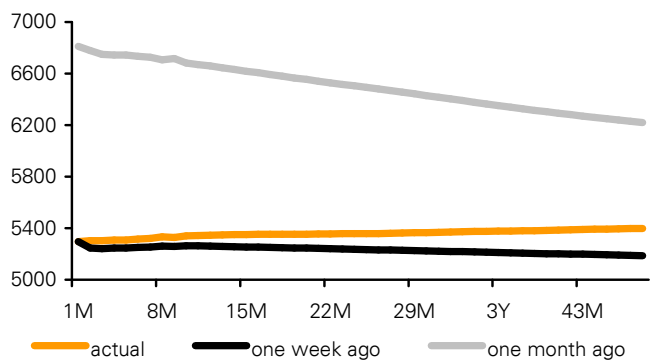
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



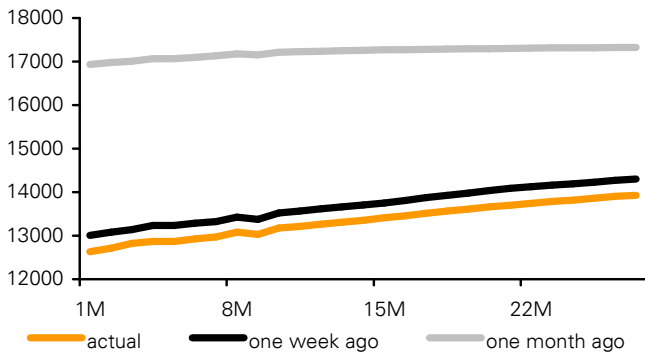
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



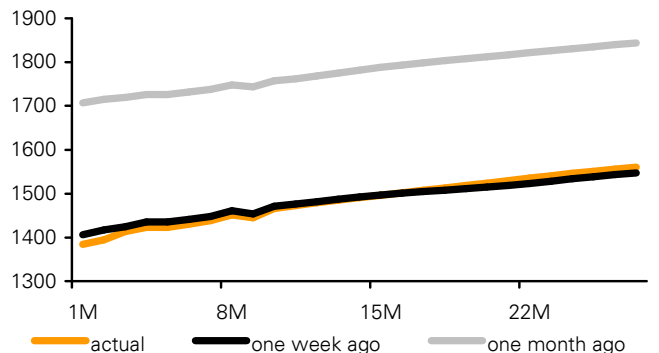
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



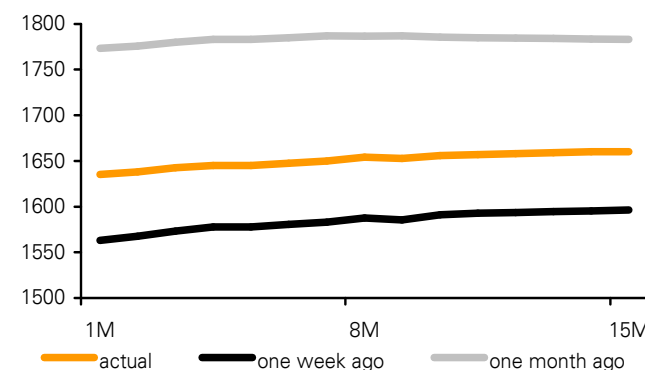
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



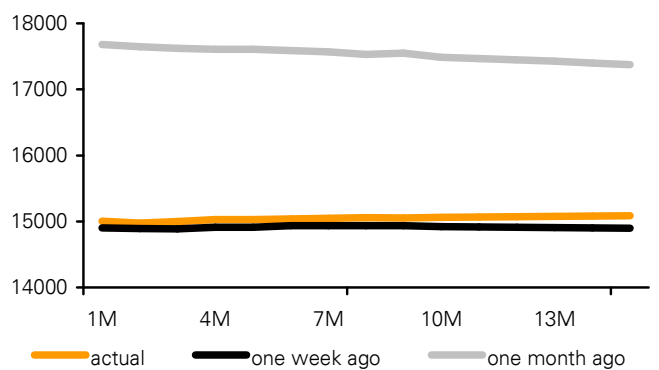
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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