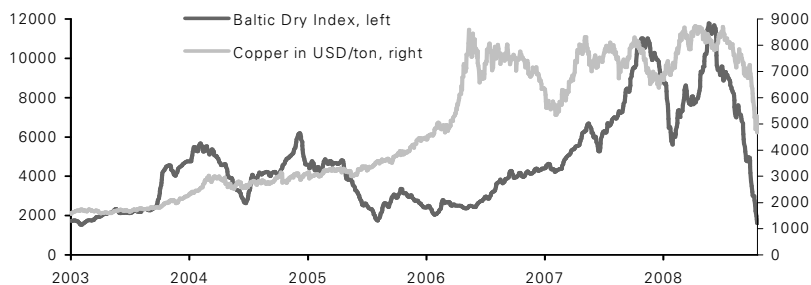



**Economic &  
Commodity Research**

# Commodities Daily

## Commodities pushed lower by recession fears

### Freight rates and copper prices point to recession



Sources: Bloomberg, Commerzbank Corporates and Markets

**Energy:** Mounting fears of a global recession have sent WTI crude oil prices down to \$72 a barrel this morning, the lowest level for 13 months. The price has more than halved since the record high posted in mid-July. With equity markets around the globe under pressure, the deleveraging, i.e. the undifferentiated position unwinding in all asset classes, will probably continue, putting further pressure on oil prices in the near term. Consequently, a retreat to \$70 and possibly even lower can't be ruled out. Estimates for oil demand would have to be reduced as well in line with a global recession being priced in. The OPEC has cut its forecast of global oil demand for this year by 330 thousand barrels a day and for 2009 by 100 thousand a day. In particular the projection for demand growth in 2009 of 800 thousand barrels a day looks quite high still. Projected demand for OPEC oil in 2009 has been cut by 190 thousand barrels a day and is now expected to be 870 thousand barrels lower than this year. The latter figure may give some indication of the production cuts likely next month. US inventory data for last week are due out this afternoon, and crude stocks are expected to have risen by 2.6 million barrels, gasoline stocks by 3 million, and distillates 500 thousand. The data will thus hardly help to brighten the mood on the oil market. If stocks have in fact risen even more, it would indicate that demand is shrinking rapidly and in turn would mean a further drop in prices. No attention is being paid to supply-side risks at the moment. A hurricane has developed in the Caribbean, for example, which is having some impact on oil supplies and processing in Venezuela, one of the main oil suppliers to the US. On top of this, there has been renewed fighting in the Niger Delta between MEND rebels and Nigerian security forces, i.e. oil production in Nigeria is still threatened by security problems. According to the country's oil minister, production currently amounts to 1.5 million barrels a day, which is 500 thousand fewer than estimated just a few weeks ago.

**Precious metals:** Gold could not escape from the general commodities trend and has fallen to \$830 this morning. We attribute this largely to deleveraging. Moreover, as oil prices fall and the dollar strengthens, gold loses its appeal as a hedge against inflation and dollar weakness. In the short term, gold will struggle to make gains. In the medium to long term, though we still expect higher prices again, thanks to increasing demand and shrinking supplies.

Platinum is being treated more like a base metal at present and, battered by fears of a recession, has lost 6% to hit \$900 a Troy ounce. This is its lowest level since November 2005. The main cause of its woes is weak demand for cars, since platinum is primarily used in making catalytic converters. Car sales in Europe were down 8.2% year on year in September. Moreover, industry consultant JD Powers is expecting US car sales to hit their lowest level for 17 years this month, and also sees demand in China cooling off considerably. Nevertheless, we consider the further downside potential for platinum to be limited.

**Base metals:** These are among the biggest losers today as fears of a recession gather momentum. Copper has suffered the most, since it is the most sensitive to cyclical ups and downs. It has dropped to \$4,545 a ton, its lowest price level since January 2006. All the gains made at the start of the week have thus been wiped out again. The Baltic Dry Index, which covers dry bulk shipping rates, slid to its lowest level for five and a half years yesterday, and has dropped more than 80% from its all-time high in May. Freight rates are like copper a good leading indicator for economic activity. Australian mining concern Rio Tinto expects the recession in the OECD countries to dent China's demand for commodities too. The downside risks for metal prices have thus increased substantially, even though many metals are already trading at below production costs and production has been scaled down at a number of sites.

### Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	70.8	-3.7%	-17.6%	-23.6%	-19%
WTI	74.5	-3.5%	-16.9%	-21.1%	-18%
Gasoline RBOB	616.0	0.0%	-12.4%	-26.8%	-18%
Gasoil	704.8	-2.9%	-13.2%	-22.4%	-5%
Diesel	734.8	-2.0%	-9.4%	-20.9%	-6%
Jet fuel	768.8	-1.9%	-8.3%	-24.0%	-8%
Natural gas	6.6	-1.1%	-4.5%	-10.5%	-12%

### Industrial metals\*\*

Aluminum	2170	-1.4%	-7.2%	-15.4%	-14%
Copper	4920	-5.2%	-12.2%	-32.1%	-42%
Lead	1515	-5.6%	-14.1%	-21.0%	-61%
Nickel	11900	-3.4%	-14.3%	-34.0%	-64%
Tin	14050	-3.2%	-7.8%	-24.9%	-18%
Zinc	1315	-5.9%	-17.4%	-29.2%	-59%

### Precious metals\*\*\*

Gold	846.9	-1.4%	-8.6%	7.0%	10%
Silver	10.3	-3.0%	-17.5%	-4.8%	-27%
Platinum	968.5	-5.4%	-11.1%	-14.4%	-35%
Palladium	192.8	-2.7%	-8.3%	-16.7%	-49%

### Agriculturals\*

Wheat	555.8	-1.3%	-9.3%	-20.5%	-34%
Corn	388.0	-2.1%	-13.3%	-28.6%	5%
Soybeans	858.0	-0.9%	-13.3%	-24.4%	-13%
Sugar	11.2	0.7%	-5.4%	-6.2%	11%
Coffee	113.3	0.7%	-0.6%	-12.2%	-11.0%
Cocoa	2201.0	-3.8%	-9.1%	-17.6%	13%

### Currencies\*\*\*

EUR/USD	1.350	-0.23%	-1.00%	-4.69%	-4.96%
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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\*\*

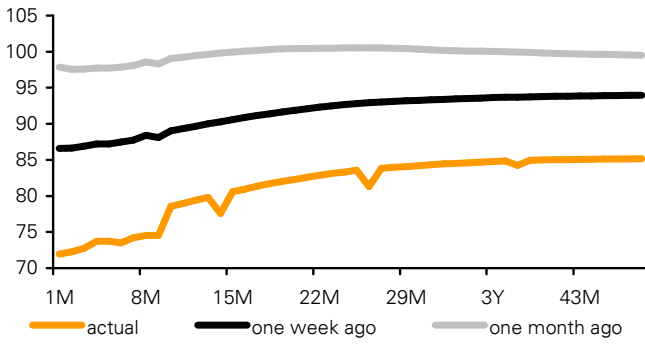
Aluminum LME	1470450	0.6%	5.4%	18.5%	57%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-38%
Aluminum Shang.	205531	-	8.1%	5.9%	154%
Copper LME	212025	0.2%	1.3%	3.3%	51%
Copper COMEX	8762	-3.6%	-9.2%	62.6%	-55%
Copper Shanghai	25681	-	59.2%	34.4%	-56%
Lead LME	61075	-1.1%	-3.3%	-16.5%	136%
Nickel LME	55866	-0.3%	1.6%	8.4%	55%
Tin LME	5225	-1.9%	-5.0%	-1.4%	-60%
Zinc LME	170325	2.7%	2.1%	7.8%	193%
Zinc Shanghai	72616	-	1.8%	2.6%	-

### Precious metals\*\*\*

Gold	8523979	-0.5%	-0.9%	-0.8%	17%
Silver	134147	0.0%	-1.2%	-3.3%	0%
Platinum	1058	0.0%	0.0%	-0.1%	34%
Palladium	4280	-0.4%	-0.8%	-3.7%	-32%

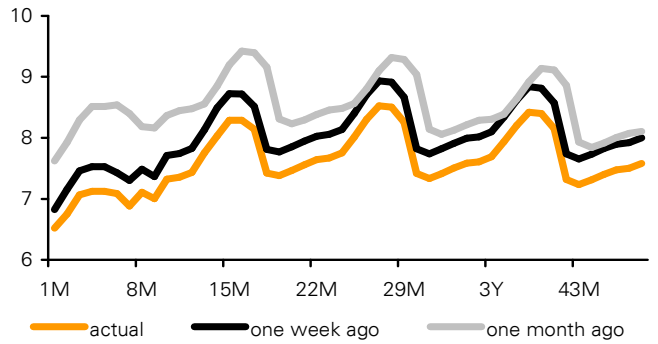
\*'000 barrels (DOE), \*\* metric tons, \*\*\* gold – oz., silver – '000 oz.

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



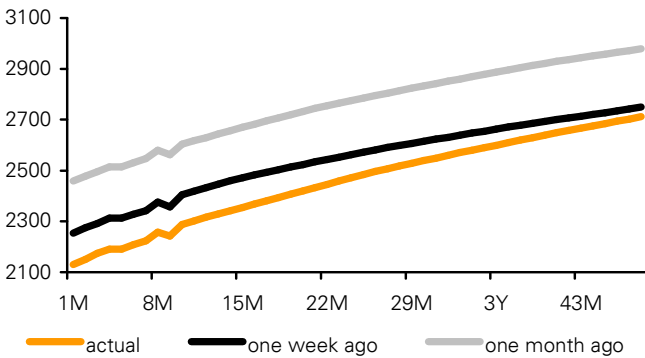
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



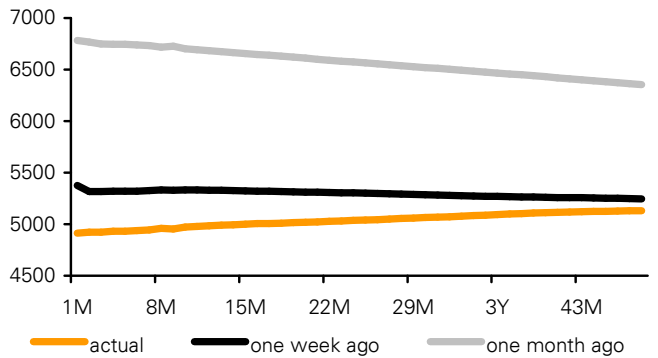
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

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



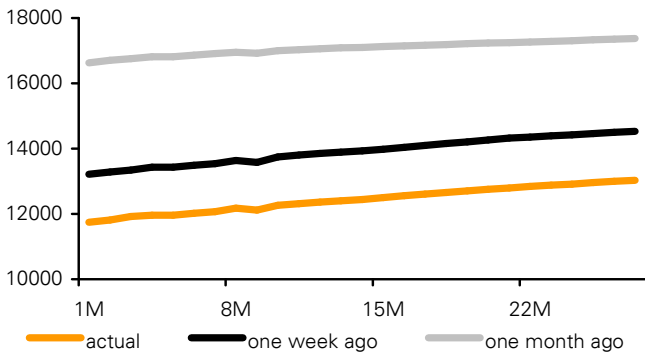
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



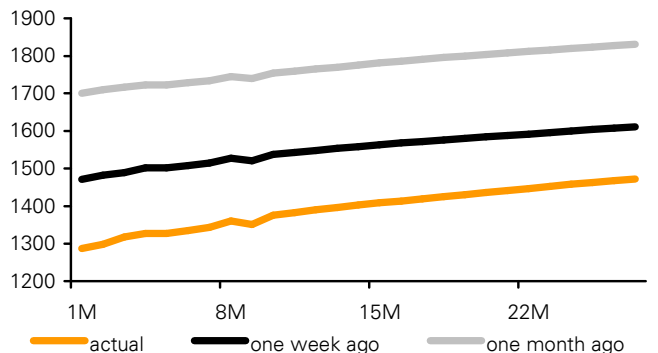
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



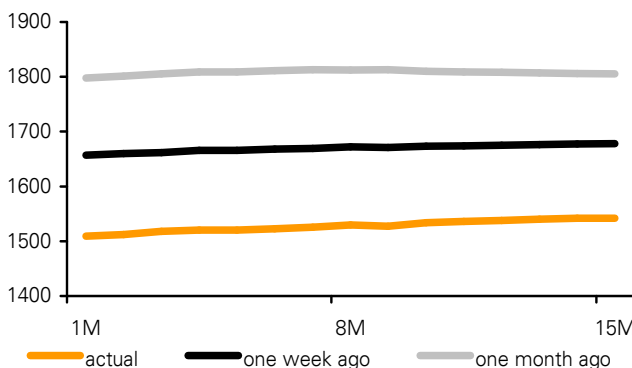
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



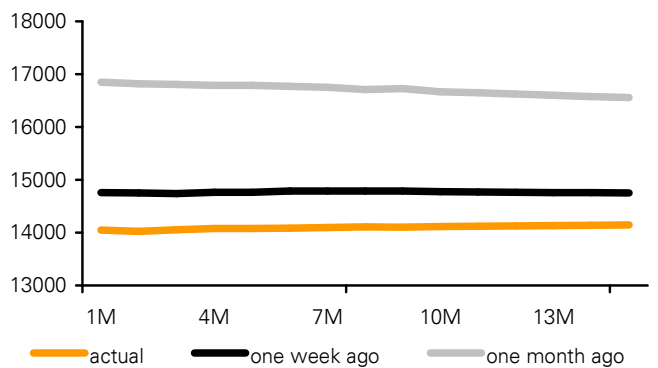
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**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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