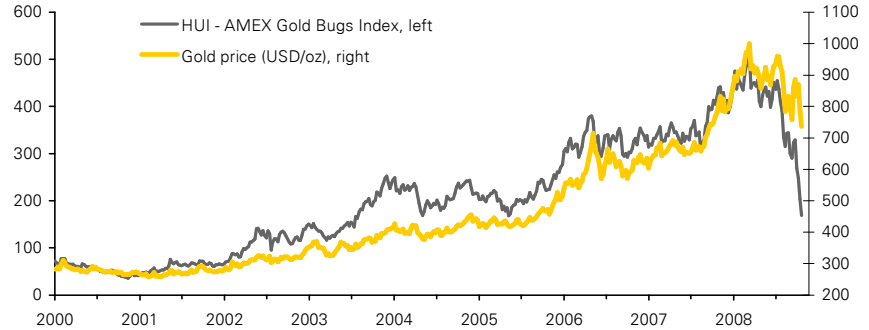



**Economic &
Commodity Research**

Commodities Daily

The darkest hour comes just before dawn ...

Gold vs gold mines: latters' shares hit by equity-market crisis


Sources: Bloomberg, Commerzbank Corporates and Markets

Energy: Rising equity markets and a weaker yen have helped WTI back up to almost \$65 this morning. The Brent spot price dropped below \$58 for a time yesterday, the lowest level since February 2007. After the severe losses of recent days, a recovery hardly comes as a surprise. How long it continues will depend largely on what the dollar does and whether the equity market rally last longer than just a couple of hours. OPEC's planned production cuts of 1.5 million barrels a day as of 1 November are evidently having little impact on oil prices at present, especially since many November deliveries have already been ordered. Asian refineries have not yet been notified of any supply cuts, but are expecting a reduction of around 5% soon. According to industrial sources, China is considering granting loans to Russian oil companies to the tune of \$20-25bn, backed by future oil exports from Russia. This is part of an agreement to be signed by the two countries today. It would ensure China, which has foreign currency reserves of \$1.9 trillion, access to 300 million tons of Russian oil over the next 20 years. Russia would thus diversify its oil exports and obtain urgently needed capital. The financial crisis and falling oil prices have left Russian companies with liquidity problems, especially with export duties currently at over \$50 a barrel. At a price of only \$60, this leaves little in the way of revenues. The Russian government can barely afford to forego income from oil, though, since this makes up more than half its income. A spokesman for Russia's finance ministry yesterday rejected the notion of an unscheduled reduction in export duties next month. The next regular adjustment is due on 1 December.

Precious metals: Gold has rallied to \$750 today, thanks to rising equity markets, a somewhat weaker dollar and higher oil prices. The recovery should continue provided that de-leveraging and the reduction in carry trades do not. Investors taking a long-term approach have evidently taken advantage of the price retreat of recent days to build up their positions. SPDR Gold Trust reports an increase in holdings of 2 tons to 749.21. Physical demand thus remains a stabilising element for prices. The market for gold coins and small ingots already appears to be exhausted. Canada's Royal Mint reports that virtually every mint in the world is sold out. Despite all the efforts to increase production, it expects demand to be even greater. Nevertheless, gold could well experience another setback if financial investors are again forced to sell gold in order to obtain liquidity and repay loans.

Platinum, too, has made strong gains, reaching \$830 a Troy ounce this morning. The spread with gold has increased again a little. With platinum widely used in industry, however, we see only limited scope for additional gains even though the present price level will trigger massive production cuts.

Base metals: Yesterday was a highly volatile day, with a recovery from day lows of over 10%. This shows that the support line is close, but the immense short-term volatility makes basic analysis virtually impossible. The market is influenced primarily by emotions and is ignoring the fundamentals. Things have changed for tin, though, after PT Timah, Indonesia's biggest producer, set clear boundaries. It announced that output this year would amount to only 45,000 tons, or 23% less than in 2007. Average production costs are also estimated at \$12,000 per ton. Indonesia's smaller smelters said last week that a price level of at least \$17,000 was still feasible, and the statement was enough to bring tin back from its temporary low of \$10,500 to almost \$15,000. We envisage a similar reaction from other metals in the medium term once marginal costs have been clearly outlined and production cuts start to take effect.

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	61.4	0.4%	-11.5%	-40.4%	-30%
WTI	63.2	0.8%	-10.1%	-40.4%	-31%
Gasoline RBOB	511.0	0.0%	-9.7%	-42.4%	-34%
Gasoil	629.8	-0.7%	-9.2%	-35.1%	-17%
Diesel	644.5	1.2%	-10.0%	-33.8%	-18%
Jet fuel	673.5	1.2%	-8.7%	-35.9%	-20%
Natural gas	6.1	-0.4%	-10.9%	-18.4%	-16%

Industrial metals**

Aluminum	2038	0.2%	-1.6%	-18.0%	-20%
Copper	4020	1.5%	-9.3%	-39.8%	-48%
Lead	1295	8.0%	2.0%	-28.7%	-62%
Nickel	11100	5.9%	9.8%	-30.9%	-63%
Tin	13550	9.9%	21.1%	-17.8%	-10%
Zinc	1185	-2.1%	-0.4%	-34.5%	-60%

Precious metals***

Gold	743.5	0.3%	-3.5%	-15.9%	-5%
Silver	9.2	-3.5%	-11.5%	-34.2%	-38%
Platinum	792.2	1.1%	-9.8%	-28.2%	-45%
Palladium	175.3	0.6%	-3.4%	-20.9%	-53%

Agriculturals*

Wheat	529.5	2.6%	-1.0%	-24.1%	-32%
Corn	385.3	3.8%	-2.7%	-26.3%	8%
Soybeans	893.0	5.6%	3.9%	-19.0%	-5%
Sugar	11.0	2.2%	-0.4%	-14.5%	10%
Coffee	107.8	1.8%	-4.0%	-18.3%	-9.7%
Cocoa	1956.0	1.2%	-2.8%	-27.8%	4%

Currencies***

EUR/USD	1.257	-0.65%	-4.68%	-13.26%	-13.41%
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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	311380	-	1.0%	6.7%	-2%
Gasoline	196497	-	1.4%	6.4%	1%
Distillates	4439	-	6.1%	16.8%	12%
Jet fuel	124304	-	1.8%	-4.1%	-8%
Natural gas	3347	-	2.1%	12.6%	-3%

Industrial metals**

Aluminum LME	1505775	0.0%	0.7%	9.9%	63%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-37%
Aluminum Shang.	204407	-	-0.1%	5.0%	113%
Copper LME	215550	1.0%	4.7%	7.7%	40%
Copper COMEX	9892	4.7%	24.9%	-0.3%	-49%
Copper Shanghai	31053	-	-10.7%	81.9%	-45%
Lead LME	52250	-2.1%	-9.0%	-20.5%	35%
Nickel LME	57084	0.4%	3.2%	5.0%	53%
Tin LME	3830	-6.1%	-24.9%	-36.6%	-70%
Zinc LME	177350	3.2%	4.7%	13.3%	189%
Zinc Shanghai	72693	-	0.2%	2.1%	-

Precious metals***

Gold	8570214	0.0%	0.1%	-0.4%	17%
Silver	130945	-0.2%	-1.6%	-3.5%	-1%
Platinum	1168	0.0%	10.4%	10.3%	48%
Palladium	4253	0.0%	-0.5%	-3.9%	-33%

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

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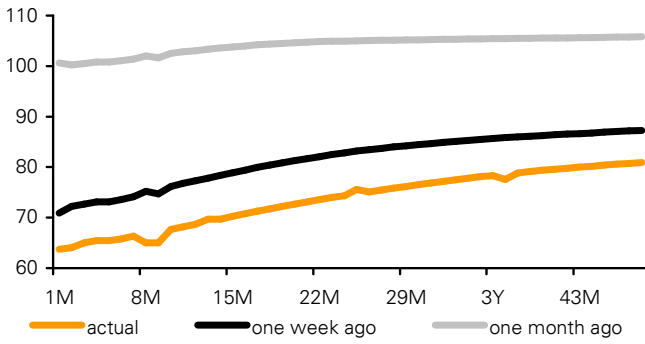
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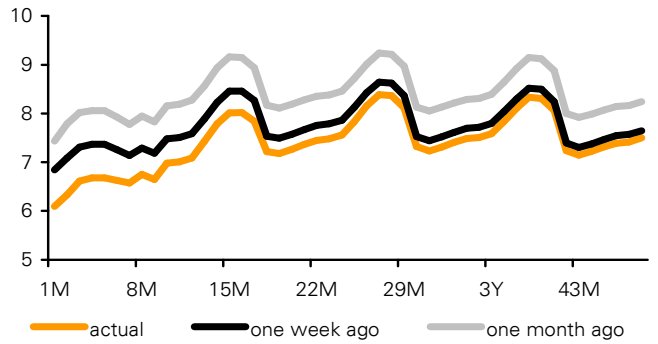
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GRAPH 1: Forward curve oil market (WTI)



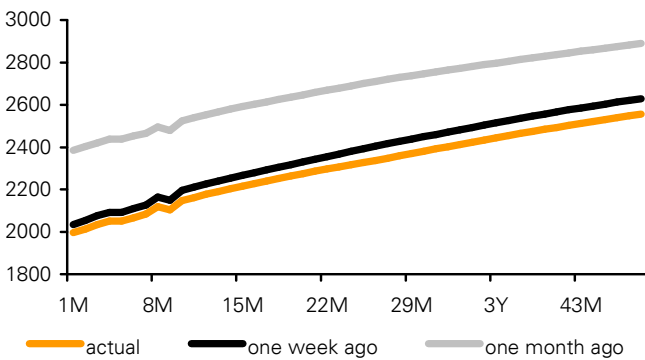
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



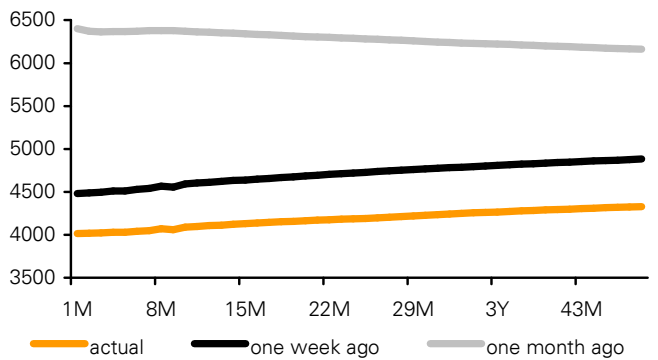
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



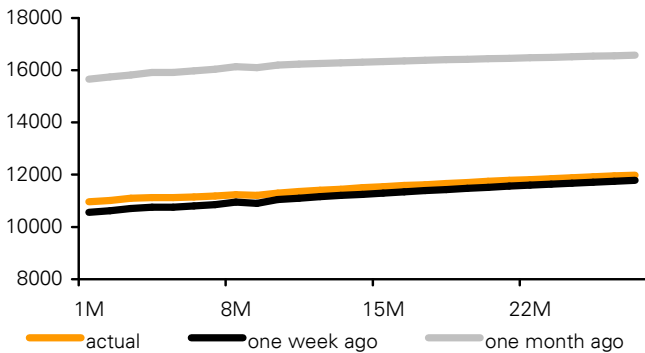
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



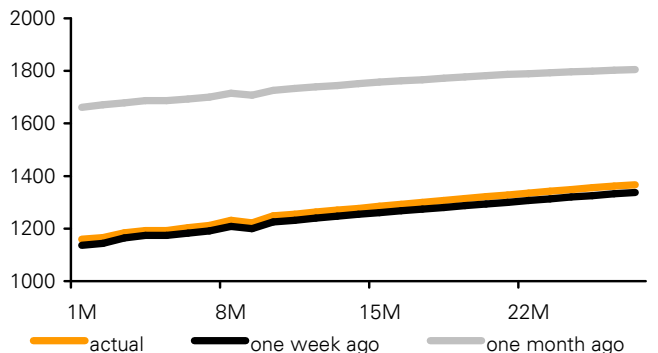
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



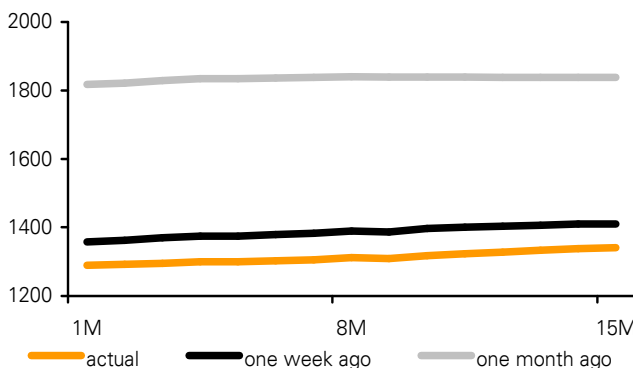
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



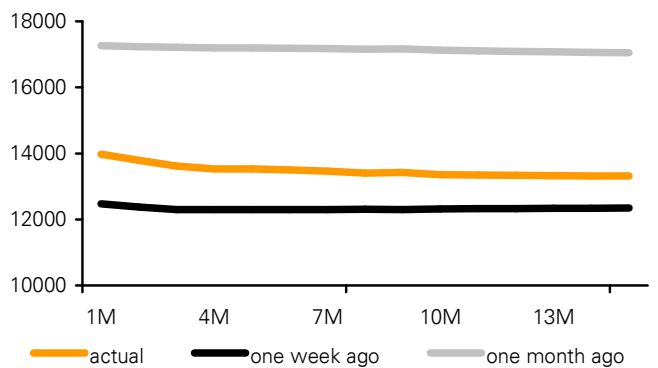
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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