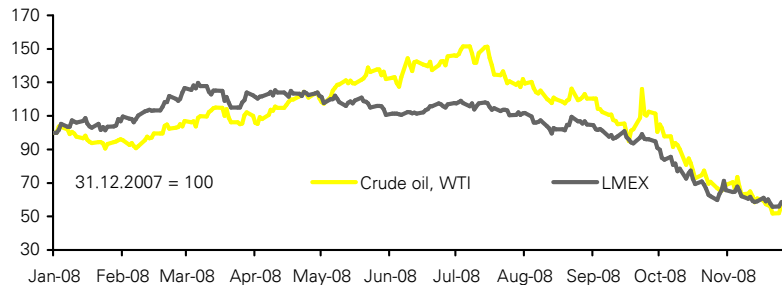



**Economic &
Commodity Research**

Commodities Daily

Relief rally in commodities

Crude oil and base metals shortly to form support line



Sources: Bloomberg, Commerzbank Corporates and Markets

Energy: Oil advanced almost 10% yesterday to \$55 a barrel, aided by strong gains on the equity markets and a broad recovery on the commodity markets in general. Prices are also being supported by continuing speculation on another OPEC production cut. It has been known for almost two weeks that OPEC would be meeting unofficially on Nov 29, but oil prices did not initially respond much to the news. Yesterday's gains are therefore probably due largely to the change of sentiment on the financial markets, and the advance could continue for a time. However, during the major retreat of recent weeks there have been repeated phases during which oil suddenly made considerable gains. They never lasted, because attention soon returned to demand-side risks. And the same could happen again this time, even though the upcoming OPEC meeting and the inherent threat of another supply reduction should prevent prices sliding below \$50 swiftly. There is no consensus yet within OPEC on whether production really ought to be scaled down again. Venezuela and Iran favour this course of action, but Nigeria's oil minister was somewhat retrained yesterday, saying that all members would first have to implement the cuts already agreed on before there could be any talk of additional cutbacks. Adherence to the quotas set will no doubt be a major topic at the weekend meeting in Cairo.

Precious metals: Gold pressed ahead yesterday, reaching \$829 for a time. This is its highest level since mid-October. It is remarkable to note that most of the gains occurred yesterday before the dollar fell and oil advanced. We take this as evidence of gold being sought by investors as a safe haven in times of rising economic risks. Our view is borne out by the fact that later in the day, as the equity markets made strong gains and risk aversion eased, gold failed to advance any further, and was even outpaced by the more cyclically sensitive PG metals and base metals. Buoyant demand from financial investors should keep gold aloft. Moreover, traders are reporting strong physical demand from India, where the wedding season has begun. Consequently, gold should be able to defend its latest gains and is unlikely to drop back below \$800 for any length of time. If the dollar were to appreciate again, though, there could be limits as to how far gold can go. According to the GFMS, gold producers bought back 2.03 million ounces in the third quarter. Dehedging was thus down 11% on the second quarter.

Base metals: These too made strong gains yesterday, with bellwether copper adding \$300 to reach \$3,800 a ton. It was helped by news that Chile's copper commission, Cochilco, had lowered its production forecast for the current year to 5.35 million tons, which is 3.5% less than a year ago. However, it also envisages a 4% rise in copper output next year. Production is likewise expected to increase elsewhere in the world, so that with copper demand weakening around the globe, a large surplus seems inevitable.

Nickel prices are also rising. Russian market leader Norilsk Nickel initially rejected production cuts on account of production costs at its own facilities being low, only scaling down work at its Australian Cawse mine, but has now also announced shutdowns at two other Australian mines. This will cut the company's overall output by 10 thousand tons.

As had widely been expected, mining giant BHP Billiton has withdrawn its takeover bid for its rival Rio Tinto. The news will come as a relief to the steel industry in particular, as it ensures that there will be no more concentration in the iron ore market, which is already in the hands of very few producers.

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	53.9	-3.8%	0.1%	-16.4%	-46%
WTI	54.5	-3.7%	-3.5%	-18.2%	-47%
Gasoline RBOB	342.0	13.5%	-8.1%	-24.2%	-54%
Gasoil	553.5	-2.3%	-2.7%	-14.0%	-37%
Diesel	588.3	-2.6%	-2.6%	-12.7%	-39%
Jet fuel	618.3	-2.5%	-1.6%	-13.1%	-36%
Natural gas	6.8	-0.5%	4.3%	8.9%	-12%

Industrial metals**

Aluminum	1800	1.1%	-5.1%	-7.7%	-27%
Copper	3750	-1.0%	-1.0%	-1.5%	-45%
Lead	1220	0.0%	-6.2%	-4.0%	-58%
Nickel	10675	-1.6%	-2.3%	5.0%	-64%
Tin	12800	0.8%	-1.1%	9.8%	-23%
Zinc	1220	0.0%	-0.7%	4.7%	-46%

Precious metals***

Gold	821.7	-1.3%	9.9%	10.4%	-2%
Silver	10.6	-2.0%	7.2%	10.5%	-30%
Platinum	866.0	-0.1%	3.5%	8.1%	-42%
Palladium	195.5	0.0%	-10.1%	15.0%	-45%

Agriculturals*

Wheat	537.5	-1.1%	0.3%	3.0%	-36%
Corn	354.5	-0.5%	-7.2%	-5.4%	-9%
Soybeans	884.0	-0.8%	-2.8%	1.5%	-20%
Sugar	11.7	-0.3%	0.7%	8.6%	20%
Coffee	112.2	0.7%	2.1%	4.0%	-8.5%
Cocoa	2213.0	-1.9%	-1.0%	9.8%	13%

Currencies***

EUR/USD	1.295	-0.76%	1.86%	2.88%	-13.57%
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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	313548	-	0.5%	1.7%	0%
Gasoline	198634	-	0.3%	2.5%	2%
Distillates	4410	-	0.9%	5.4%	6%
Jet fuel	126880	-	-1.2%	3.9%	-3%
Natural gas	3488	-	0.5%	6.4%	-1%

Industrial metals**

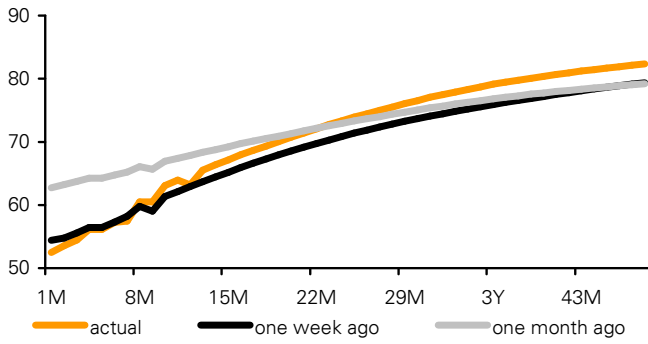
Aluminum LME	1726325	0.1%	7.1%	14.9%	86%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-36%
Aluminum Shang.	202156	-	1.7%	-1.2%	96%
Copper LME	284400	0.5%	3.1%	34.2%	53%
Copper COMEX	14656	6.2%	30.3%	55.1%	-18%
Copper Shanghai	17699	-	-17.7%	-49.1%	-61%
Lead LME	41300	-0.4%	-6.0%	-24.2%	-4%
Nickel LME	62148	0.6%	3.3%	9.8%	43%
Tin LME	4290	0.0%	25.1%	-6.3%	-68%
Zinc LME	190650	1.5%	3.7%	10.9%	134%
Zinc Shanghai	69569	-	-3.4%	-4.1%	-

Precious metals***

Gold	8108878	0.0%	-0.1%	-5.4%	10%
Silver	128649	0.0%	-0.3%	-2.0%	-3%
Platinum	1068	0.0%	-0.1%	9.7%	10%
Palladium	4293	0.0%	-0.1%	0.5%	-31%

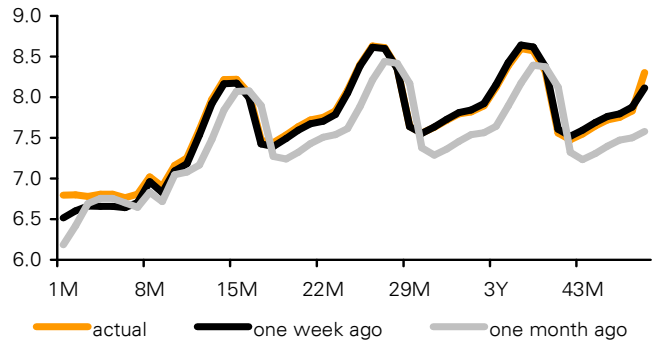
*'000 barrels (DOE), ** metric tons, *** gold – oz., silver – '000 oz.

GRAPH 1: Forward curve oil market (WTI)



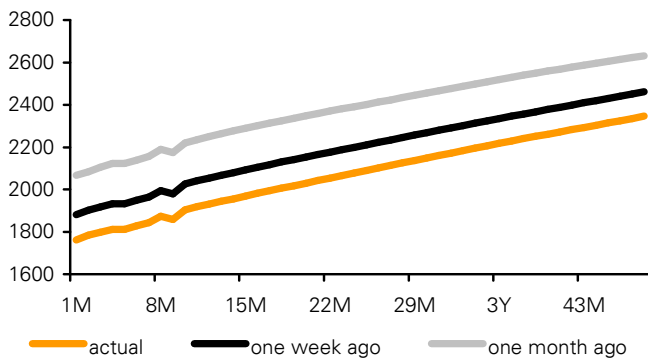
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



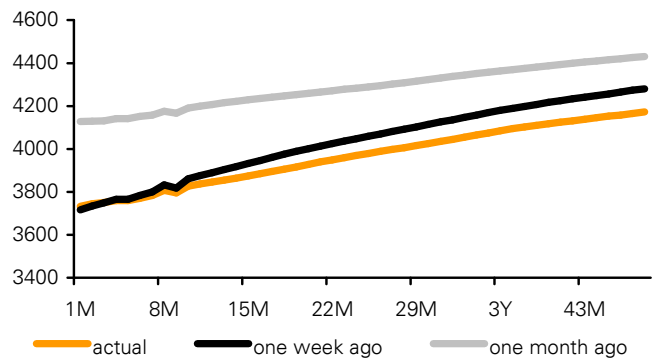
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



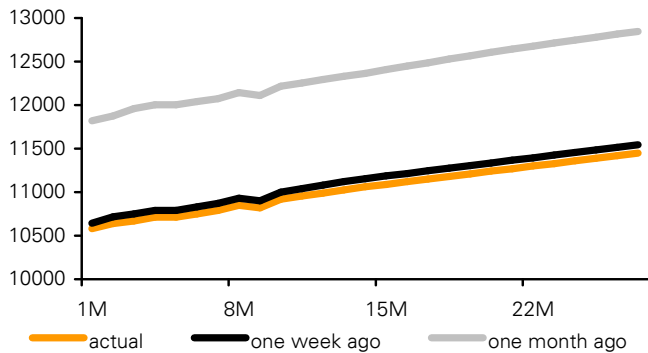
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



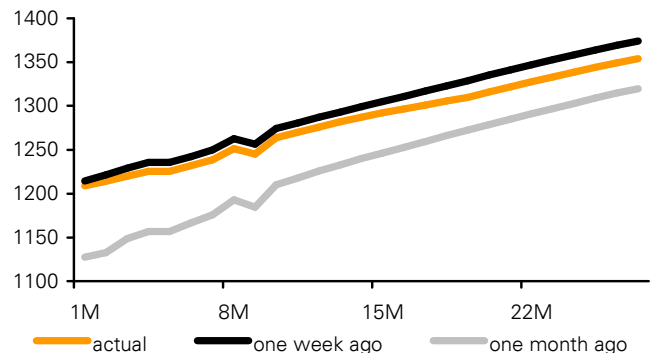
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



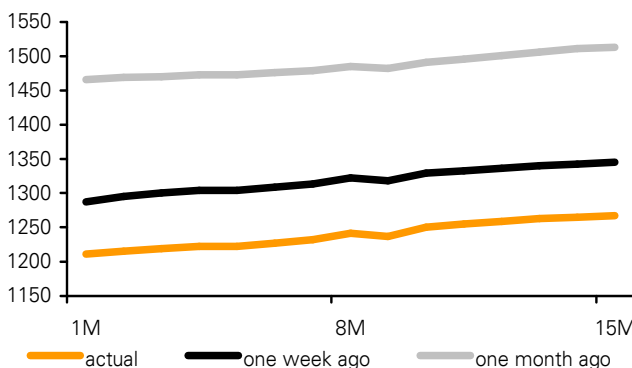
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



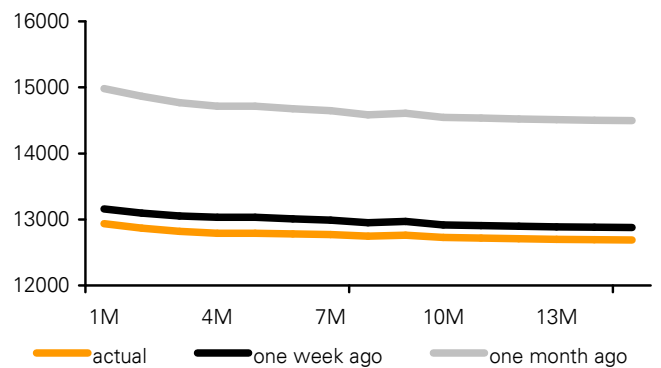
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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