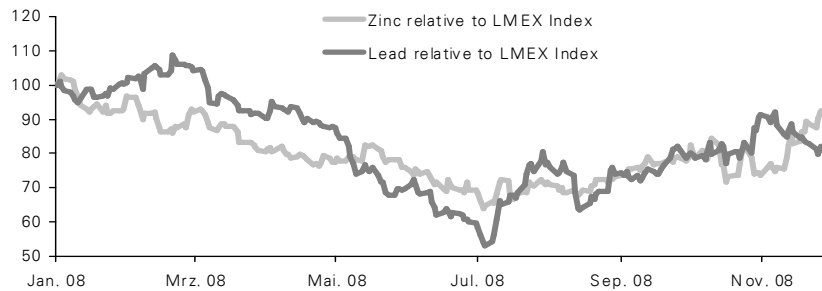



**Economic &  
Commodity Research**

# Commodities Daily

## Waiting for commodities to bottom out

**Zinc and lead have shown relative strength of late**


Sources: Bloomberg, Commerzbank Corporates and Markets

**Prices**

| Energy*       | current | 1 day | 1 week | 1 month | 1 year |
|---------------|---------|-------|--------|---------|--------|
| Brent Blend   | 50.4    | 1.3%  | -1.4%  | -17.8%  | -46%   |
| WTI           | 50.8    | 0.9%  | -4.5%  | -20.2%  | -48%   |
| Gasoline RBOB | 384.0   | -1.6% | -3.6%  | -26.2%  | -55%   |
| Gasoil        | 532.8   | 0.3%  | -2.4%  | -15.0%  | -37%   |
| Diesel        | 571.8   | -0.4% | -0.4%  | -13.2%  | -40%   |
| Jet fuel      | 594.8   | -0.4% | -1.8%  | -14.7%  | -37%   |
| Natural gas   | 6.4     | 1.2%  | -4.1%  | 3.6%    | -16%   |

| Industrial metals** | current | 1 day | 1 week | 1 month | 1 year |
|---------------------|---------|-------|--------|---------|--------|
| Aluminum            | 1810    | 0.0%  | -3.6%  | -8.2%   | -28%   |
| Copper              | 3695    | 0.8%  | 3.8%   | -1.2%   | -45%   |
| Lead                | 1190    | 1.7%  | -1.6%  | -4.8%   | -60%   |
| Nickel              | 10500   | -1.0% | 1.5%   | 4.0%    | -64%   |
| Tin                 | 12900   | -0.6% | 7.7%   | 9.1%    | -23%   |
| Zinc                | 1250    | 0.8%  | 6.5%   | 8.2%    | -47%   |

| Precious metals*** | current | 1 day | 1 week | 1 month | 1 year |
|--------------------|---------|-------|--------|---------|--------|
| Gold               | 821.1   | -0.4% | 11.4%  | 11.3%   | -1%    |
| Silver             | 10.3    | 0.4%  | 12.0%  | 10.8%   | -30%   |
| Platinum           | 870.0   | 0.5%  | 6.8%   | 9.2%    | -40%   |
| Palladium          | 198.5   | -0.6% | 7.5%   | 16.0%   | -44%   |

| Agriculturals* | current | 1 day | 1 week | 1 month | 1 year |
|----------------|---------|-------|--------|---------|--------|
| Wheat          | 534.0   | 0.3%  | 1.6%   | 3.7%    | -34%   |
| Corn           | 353.5   | 0.6%  | -6.1%  | -4.6%   | -8%    |
| Soybeans       | 883.0   | 1.2%  | -0.3%  | 3.5%    | -19%   |
| Sugar          | 11.6    | 0.9%  | 0.4%   | 8.9%    | 20%    |
| Coffee         | 112.5   | 0.8%  | 2.1%   | 4.3%    | -7.2%  |
| Cocoa          | 2213.0  | 1.9%  | 2.9%   | 14.1%   | 18%    |

| Currencies*** | current | 1 day | 1 week | 1 month | 1 year  |
|---------------|---------|-------|--------|---------|---------|
| EUR/USD       | 1.299   | 0.07% | 3.21%  | 3.37%   | -12.55% |

\* 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** | current | 1 day | 1 week | 1 month | 1 year |
|---------------------|---------|-------|--------|---------|--------|
| Aluminum LME        | 1751650 | 0.5%  | 2.9%   | 16.5%   | 89%    |
| Aluminum COMEX      | 10924   | 0.0%  | 0.0%   | 0.0%    | -36%   |
| Aluminum Shang.     | 202156  | -     | 1.7%   | -1.2%   | 96%    |
| Copper LME          | 286350  | -0.3% | 2.3%   | 35.1%   | 53%    |
| Copper COMEX        | 16215   | 10.6% | 44.1%  | 71.6%   | -10%   |
| Copper Shanghai     | 17699   | -     | -17.7% | -49.1%  | -61%   |
| Lead LME            | 40950   | -0.3% | -2.7%  | -24.8%  | -4%    |
| Nickel LME          | 62928   | 0.8%  | 3.1%   | 11.2%   | 43%    |
| Tin LME             | 4285    | -0.1% | 12.0%  | -6.4%   | -68%   |
| Zinc LME            | 190475  | 0.0%  | 3.7%   | 10.8%   | 135%   |
| Zinc Shanghai       | 69569   | -     | -3.4%  | -4.1%   | -      |

| Precious metals*** | current | 1 day | 1 week | 1 month | 1 year |
|--------------------|---------|-------|--------|---------|--------|
| Gold               | 8518192 | 5.1%  | 5.1%   | -0.6%   | 16%    |
| Silver             | 129230  | 0.5%  | 0.4%   | -1.6%   | -3%    |
| Platinum           | 1068    | 0.0%  | -0.1%  | -8.6%   | 10%    |
| Palladium          | 4317    | 0.6%  | 0.5%   | 1.5%    | -31%   |

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

**Energy:** Oil came under renewed pressure yesterday, with WTI trading at \$51 a barrel, down \$4 on the day. Poor US data revealing that private consumption has tumbled on a scale last seen 28 years ago fuelled fears of demand for oil weakening even further. Iran thus called on non-OPEC countries to cooperate in halting the price slide. Norway, whose oil output has in any case been falling for years, has already declined to do so. Russia, however, will not rule out production cuts in tandem with OPEC. If it does come to this, it would be a significant signal, as Russia is the world's second-largest oil producer. Such a step hardly seems credible, though, since the Russian state is highly dependent on revenues from oil. Export duties, for example, have been reduced gradually over the past few months from over \$70 to \$26 a barrel as a means of avoiding production cuts and the resulting loss of revenues. Oil prices could well be aided by other factors, however. Nigerian rebel organisation MEND has threatened to end the unilateral cease-fire and extend its attacks over the entire Niger delta. In our view, renewed escalation of violence in one of the biggest oil exporting countries would justify a risk premium on the price of oil.

US crude inventories are likely to have risen 1 million barrels last week, which would be the ninth consecutive increase. This could also put pressure on prices. Gasoline stocks are expected to have risen 350,000 barrels, and middle distillate stocks to have fallen 400,000 barrels, on account of the colder weather and increased need for heating. As a result, the price of heating oil should continue to fare better than crude and gasoline.

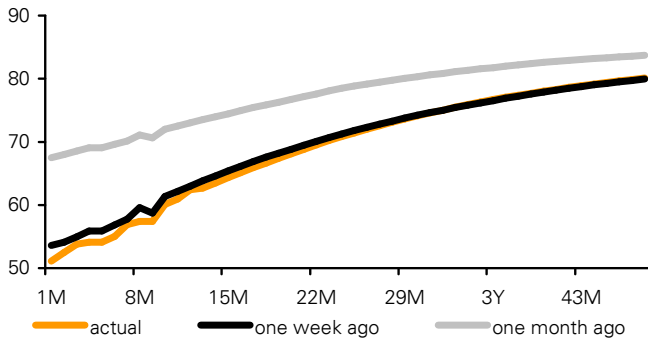
**Precious metals:** Gold is hanging on above \$800. The Fed yesterday announced another series of measures to combat the credit crisis. It plans to buy up mortgages and consumer loans on a scale of up to \$800bn. As a result, the dollar lost considerable ground, which was positive for gold. Falling oil prices set a limit to how far gold could go, however, and it failed to take the \$830 hurdle. The US Mint is still reporting bottlenecks in supplies of gold and silver coins. The weekly allocation of American Eagle gold and silver one-ounce coins would continue, but the launch of other coins will be delayed until later next year. We see gold making a breakthrough in the next few weeks as more likely than it retreating to below \$800.

**Base metals:** Gloomy economic prospects have left metal prices on the defensive, but continuing production cuts should stop them falling much further. Indonesian nickel manufacturer PT International Indonesia has lowered its output target for the year of 77 thousand tons by 20%. It is estimated that 50% of nickel production is uneconomical at current prices, and we envisage more production cuts.

Low zinc prices are likewise forcing more companies to scale down work: Australia's mining company Oz Minerals announced yesterday that production was to be cut 20 thousand tons next year to 485 thousand tons. The world's biggest zinc producer, Nyrstar NV, plans to reduce its output. The shortfall in production overall this year and in the first half of 2009 will total 155 thousand tons. The supply shortage that threatens should support the prices, and is already helping it to stabilise: Zinc has been moving since mid-October within a narrow range of \$1,100 and \$1,300 a ton, which is fairly good, given that the LME metal price index has lost 20% in the same period.

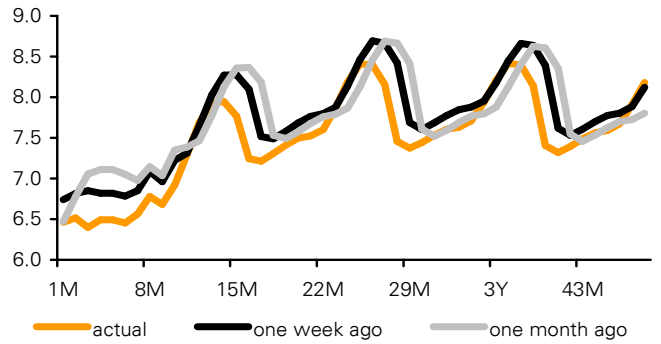
There are few plans so far to cut copper production, though. Australian mining company Straits Resources has meanwhile lowered its production target for its Tritton Mine next year to 2,200 tons a month on account of prices falling, and plans to expand capacities to 35 thousand tons a year have been suspended. Southern Copper, the world's seventh-largest producer, is not planning any cuts, though. At prices over \$0.90 a pound (almost \$2,000 a ton), mines in Peru and Mexico are apparently operating at a profit. At current prices, this would allow a further drop in prices of 45%.

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



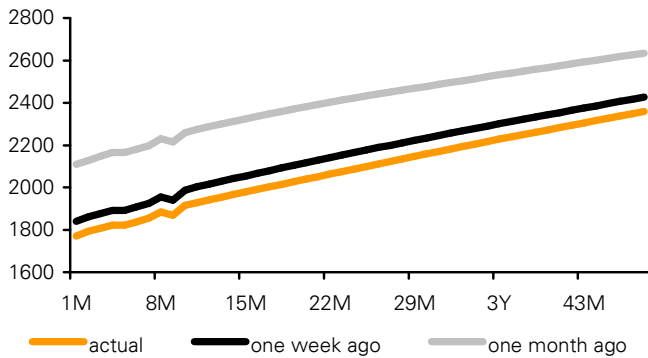
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



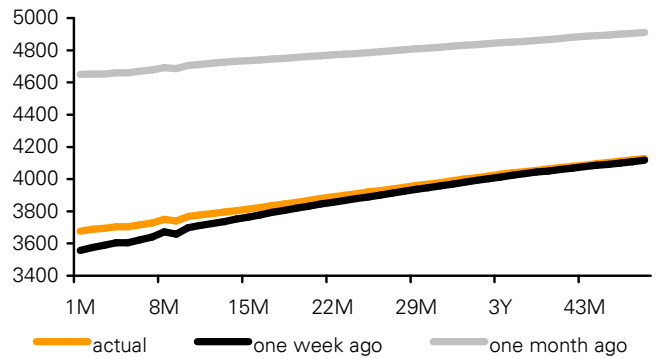
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

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



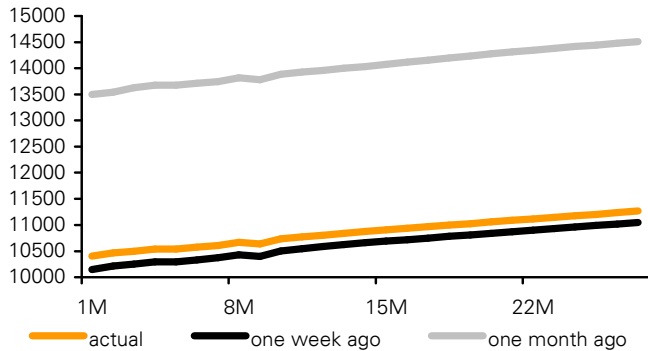
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



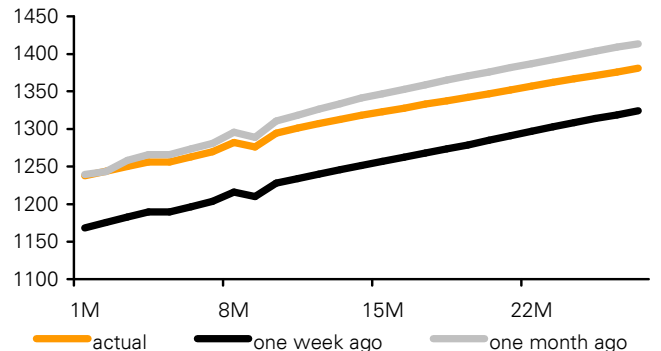
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



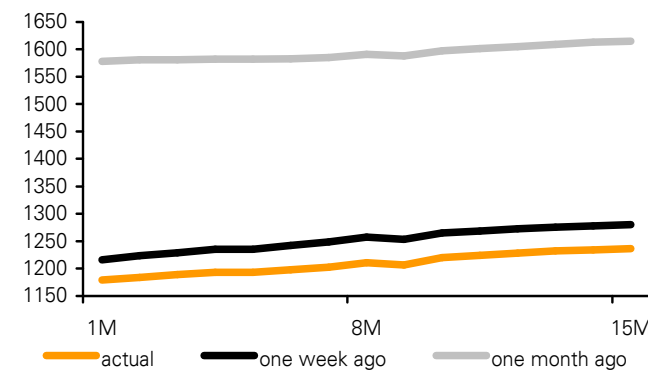
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



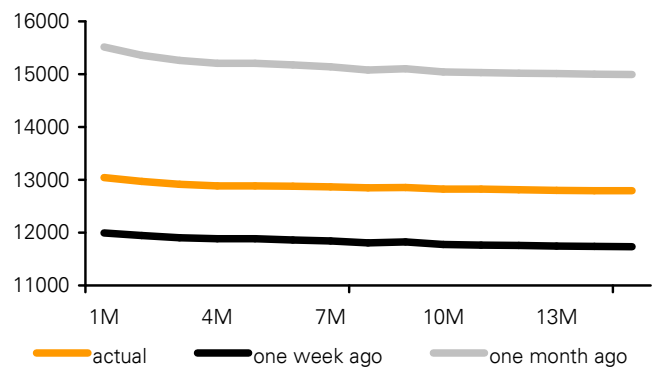
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**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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