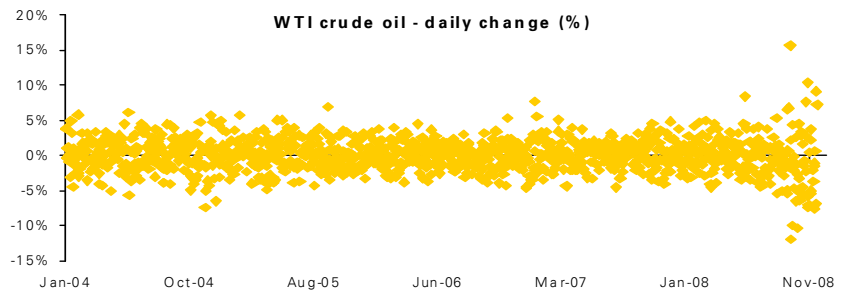



**Economic &  
Commodity Research**

# Commodities Daily

## Markets take a breather after China's rate cut

### Crude oil: Very high volatility recently



Sources: NYMEX, Bloomberg, Commerzbank Corporates and Markets

**Energy:** WTI is trading at \$53 a barrel, which is a little firmer than yesterday. Rallying equity markets, an unexpectedly strong rate cut in China and the prospect of a looming OPEC production cut all gave support that was not lessened at all by the sharp rise in US crude oil stocks. According to the DOE, inventories unexpectedly rose last week by a significant 7.3 million barrels. The rise in imports of 1.1 million a day was the main contributing factor here. This rise more than compensated for refineries' higher crude runs, meaning that crude oil stocks have increased for the ninth consecutive week and are meanwhile 4.5% above the 5-year average. Gasoline stocks climbed by 1.8 million barrels, also much more than expected, due to refinery utilisation rising by 1.25 percentage points. Even so, the price of gasoline still climbed considerably. This could be an indication that gasoline has bottomed out. Since the start of October, the price for US gasoline is lower than for US crude oil - a first for this long a period. The retreat of middle distillates by 186 thousand barrels is quite normal for the season, as the heating oil needs rise with the colder temperatures. The data on demand in the US should also have implied falling oil prices. In the past four weeks, the demand for oil products was 6.6% lower, year-on-year. US oil demand fell by nearly 13% to 17.8 million barrels in September, year-on-year, a level last reached 12 years ago. The significant rise in crude oil stocks and demand weakness are upping the pressure on OPEC to make further cuts in production levels. This could also explain why oil prices came under pressure only temporarily after the data was released. Demand weakness in the US should be largely factored in after the dramatic price slump of the past weeks and months, while at the same time preventing a sustained recovery of oil prices and forcing countermeasures by OPEC. According to Venezuela, OPEC could agree on a production cut already at the informal meeting this weekend.

**Precious metals:** Gold has moved little on yesterday, at \$810 a Troy ounce, so it was evidently not reacted to the series of bomb attacks that hit India's financial capital, Mumbai last night. It is unclear whether the events will remain of a local character or whether they constitute a new geopolitical risk. Furthermore, this could have a negative impact on demand in India, the largest importer of gold. Gains on equity markets are also limiting the upside potential. And the US dollar has firmed somewhat against the euro, despite the weak US data. Investor demand remains robust, though. The gold holdings at SPDR Gold Trust rose yesterday by a further three tonnes; they are now only 12 tonnes below October's record. The deflation policy being pursued in the major economies suggests that investor interest will continue to rise in the coming weeks and months. This means substantial upside potential for gold.

**Base metals:** Metal prices benefited yesterday from the unexpectedly steep rate cut of 108 basis points by China's central bank, the biggest cut in 11 years. Weak US data from the manufacturing sector and housing market and the slump of the Baltic Dry Index to a 22-year low meant that gains have soon crumbled again. As the International Aluminium Institute reported, global aluminium stocks fell by 1.6% to 1.6 million tonnes, month-on-month. These figures are a clear contrast to the sharp rise of LME aluminium stocks, which have climbed by more than 10% or around 150 thousand tonnes in the same period. This confirmed our theory that the rise of LME stocks is distorted by special factors and does not give a reliable picture of supply and demand movements. Aluminium should bottom out at its current level.

According to Battery Council International, deliveries of replacement batteries for cars in North America rose by 5.4% or nearly 500 thousand units to 9,33 million batteries in September, year-on-year. In contrast, the deliveries of new batteries fell by 12% to 1.52 million, owing to the ailing car industry. The demand for replacement batteries is therefore the stabilising factor for lead demand, with battery manufacturers accounting for 70% of total demand for lead.

### Prices

| Energy*       | current | 1 day | 1 week | 1 month | 1 year |
|---------------|---------|-------|--------|---------|--------|
| Brent Blend   | 53.9    | -2.0% | 9.9%   | -14.0%  | -43%   |
| WTI           | 54.4    | -2.4% | 7.1%   | -16.0%  | -44%   |
| Gasoline RBOB | 384.0   | -1.6% | -3.6%  | -26.2%  | -55%   |
| Gasoil        | 544.8   | -1.6% | 1.2%   | -14.8%  | -36%   |
| Diesel        | 580.8   | -1.7% | 3.8%   | -13.1%  | -37%   |
| Jet fuel      | 603.8   | -1.6% | 2.7%   | -13.7%  | -37%   |
| Natural gas   | 6.9     | -2.2% | 6.6%   | 9.9%    | -11%   |

| Industrial metals** | current | 1 day | 1 week | 1 month | 1 year |
|---------------------|---------|-------|--------|---------|--------|
| Aluminum            | 1800    | -0.3% | 0.6%   | -11.9%  | -28%   |
| Copper              | 3755    | -1.0% | 6.8%   | -7.5%   | -44%   |
| Lead                | 1186    | -1.3% | -1.2%  | -9.6%   | -61%   |
| Nickel              | 10600   | -1.4% | 5.0%   | -5.9%   | -64%   |
| Tin                 | 13000   | -1.9% | 12.8%  | -5.9%   | -24%   |
| Zinc                | 1260    | -1.6% | 5.1%   | 4.6%    | -48%   |

| Precious metals*** | current | 1 day | 1 week | 1 month | 1 year |
|--------------------|---------|-------|--------|---------|--------|
| Gold               | 813.2   | -0.1% | 8.3%   | 9.2%    | 0%     |
| Silver             | 10.3    | -0.4% | 13.4%  | 11.8%   | -29%   |
| Platinum           | 859.0   | 1.0%  | 10.4%  | 9.6%    | -40%   |
| Palladium          | 190.5   | 1.2%  | 8.1%   | 10.0%   | -45%   |

| Agriculturals* | current | 1 day | 1 week | 1 month | 1 year |
|----------------|---------|-------|--------|---------|--------|
| Wheat          | 534.0   | 0.3%  | 1.6%   | 3.7%    | -34%   |
| Corn           | 353.5   | 0.1%  | -6.5%  | -5.0%   | -8%    |
| Soybeans       | 883.0   | 0.3%  | -1.2%  | 2.6%    | -20%   |
| Sugar          | 11.6    | 1.7%  | 1.2%   | 9.8%    | 21%    |
| Coffee         | 112.5   | 1.4%  | 2.8%   | 5.0%    | -6.6%  |
| Cocoa          | 2256.0  | 2.4%  | 5.9%   | 16.9%   | 22%    |

| Currencies*** | current | 1 day | 1 week | 1 month | 1 year  |
|---------------|---------|-------|--------|---------|---------|
| EUR/USD       | 1.288   | 0.26% | 2.74%  | 2.73%   | -12.86% |

\* 1-month forward, \*\* 3-month forward, \*\*\* spot

### Inventory data

| Energy*     | current | 1 day | 1 week | 1 month | 1 year |
|-------------|---------|-------|--------|---------|--------|
| Crude oil   | 320828  | -     | 2.3%   | 3.0%    | 2%     |
| Gasoline    | 200476  | -     | 0.9%   | 2.0%    | 2%     |
| Distillates | 4609    | -     | 4.5%   | 3.8%    | 7%     |
| Jet fuel    | 126694  | -     | -0.2%  | 1.9%    | -3%    |
| Natural gas | 3422    | -     | -1.9%  | 2.2%    | -3%    |

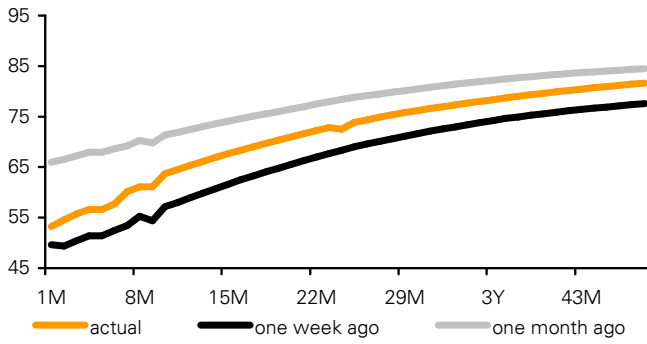
| Industrial metals** | current | 1 day | 1 week | 1 month | 1 year |
|---------------------|---------|-------|--------|---------|--------|
| Aluminum LME        | 1795975 | 2.5%  | 4.3%   | 19.3%   | 94%    |
| Aluminum COMEX      | 10924   | 0.0%  | 0.0%   | 0.0%    | -36%   |
| Aluminum Shang.     | 202156  | -     | 1.7%   | -1.2%   | 96%    |
| Copper LME          | 288725  | 0.8%  | 2.5%   | 35.3%   | 54%    |
| Copper COMEX        | 16780   | 3.5%  | 39.0%  | 77.5%   | -7%    |
| Copper Shanghai     | 17699   | -     | -17.7% | -49.1%  | -61%   |
| Lead LME            | 41200   | 0.6%  | -0.7%  | -22.8%  | -6%    |
| Nickel LME          | 63264   | 0.5%  | 3.0%   | 11.3%   | 44%    |
| Tin LME             | 4325    | 0.9%  | -0.9%  | 6.0%    | -68%   |
| Zinc LME            | 190875  | 0.2%  | 3.1%   | 11.1%   | 137%   |
| Zinc Shanghai       | 69569   | -     | -3.4%  | -4.1%   | -      |

| Precious metals*** | current | 1 day | 1 week | 1 month | 1 year |
|--------------------|---------|-------|--------|---------|--------|
| Gold               | 8516845 | 0.0%  | 5.0%   | -0.6%   | 16%    |
| Silver             | 128601  | -0.5% | -0.1%  | -2.0%   | -3%    |
| Platinum           | 1064    | -0.4% | -0.5%  | -8.9%   | 10%    |
| Palladium          | 4317    | 0.0%  | 0.5%   | 1.5%    | -31%   |

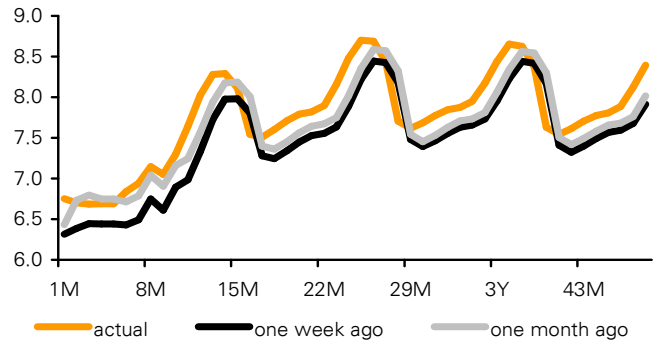
\*'000 barrels (DOE), \*\* metric tons, \*\*\* gold - oz., silver - '000 oz.

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



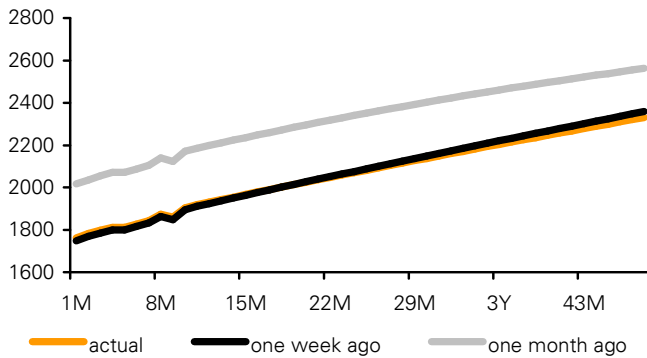
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



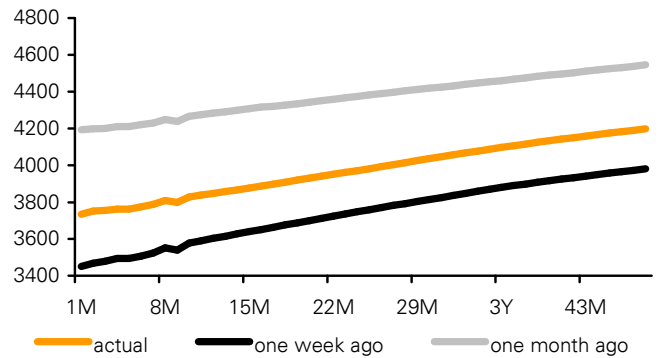
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

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



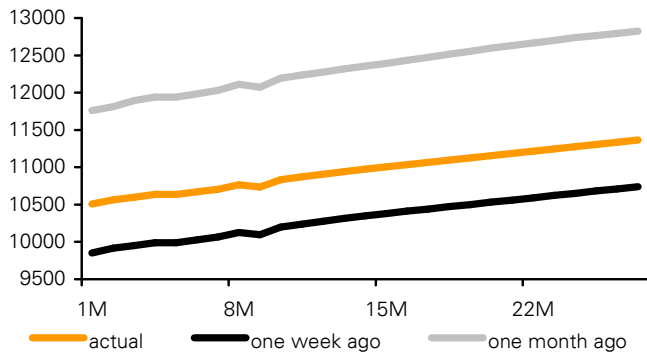
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



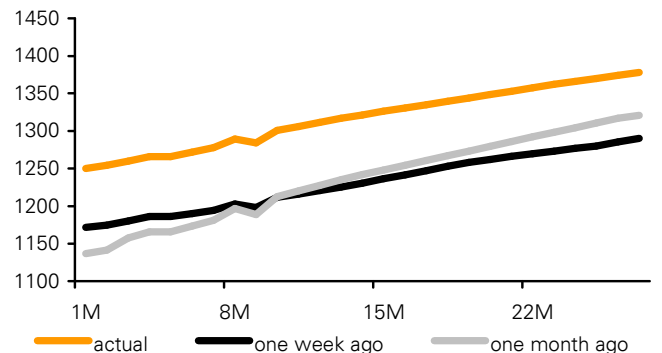
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



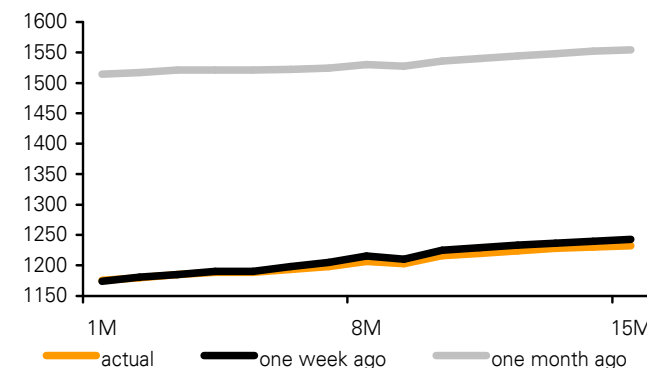
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



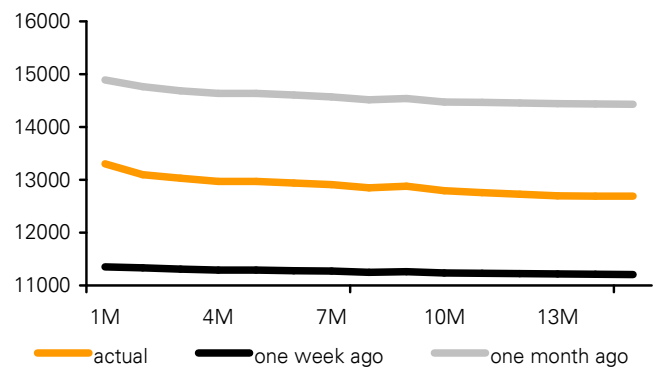
Source: LME; Bloomberg, Commerzbank Corporates & Markets

**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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