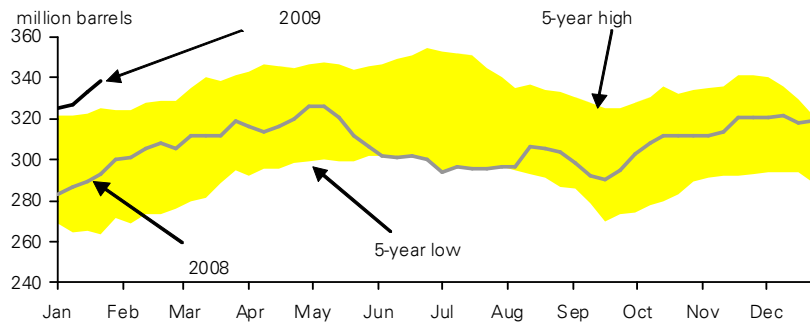



**Economic &
Commodity Research**

Commodities Daily

Another strong rise in US crude inventories

US crude stocks are plentiful



Sources: DOE, Bloomberg, Commerzbank Corporates & Markets

Energy: WTI prices came under pressure after publication of US inventory data, falling to as low as \$40.60 a barrel yesterday and are currently trading at \$42 a barrel. As the US Department of Energy reported yesterday, US crude oil stocks rose by a surprising 6.2 million barrels last week, which was more than twice as much as expected. Stockpiles are therefore at their highest level since August 2007 and well above the level that is normal for this time of year (see chart). The strong build-up of stocks cannot be put down to the rise in crude oil imports, as these fell by 158 thousand barrels a day, in fact. Refinery utilisation dropped by 0.79 percentage points but this can only explain the strong rise in crude oil stocks to a certain degree. Lower crude oil refining is being reflected in a decline in stocks for oil products. Gasoline and distillate inventories showed declines of 121 thousand and 1 million barrels, respectively. The latter may be due to the cold weather and higher heating oil requirements. This is probably why oil prices are not coming under quite as much pressure as had been anticipated in view of the massive rise in crude stocks. Oil product stocks are still very high, though, at the upper end or above the 5-year corridor. As crude oil stocks continue to rise, OPEC is under increasing pressure, as the production cuts should gradually begin to be reflected in falling inventories. OPEC General Secretary al-Badri stressed yesterday that compliance is "excellent" and he was optimistic that the December cut will be fully implemented by the end of the month. Crude stocks in Cushing, where WTI crude oil is stored, have risen to a new record high of 33.5 million barrels, which should put pressure on the price for the March contract and thus lead to a steeper WTI forward curve.

Precious metals: Gold prices have retreated again to currently \$880 a troy ounce. This means that gold has shed almost 4% from the 3-month high reached at the start of the week. Gold prices were adversely affected by news that jewellery demand has slumped. According to the Bombay Bullion Association, India's gold imports fell in January by more than 90% to only 1.2-1.8 tons. This is even worse than previous estimates as high stock levels and the rise in prices curbed demand. With an annual consumption of 800 tons, India is the world's largest customer for gold. The demand for jewellery amounts to 70% of the total demand. At the same time, India's scrap gold sales are reported to have increased, on the back of the recent price rally. As long as investment demand was robust and the ETFs reported huge inflows, this did not play a role. But investment demand has notably eased since the start of the week as a result of stronger equity markets and subsiding risk aversion. And exchange rate movements appear to be playing a greater role than in past few days. The much firmer US dollar after the FOMC rate decision is therefore another negative factor.

Base metals: Metal prices are proving unable to benefit from the strong rally on equity markets, nor from the fact that the US House of Representatives has passed the \$819 economic stimulus package. As a large part of this should be invested in infrastructure measures, this should benefit base metals and copper and zinc in particular. However, the package must first be approved by the US Senate, which is expected next week. It should take quite a while before the measures are implemented, in any case. The continued rise in LME stocks is dominating the short-term picture. Aluminium stockpiles rose yesterday to a new record level of 2,732 million tons, copper to 455 thousand tons, the highest level for five years, and zinc exceeded 320 thousand tons for the first time in nearly three years. Nickel stocks have also continued to rise and nearly reached 83 thousand tons, which is a 13 ½-year peak. This makes a sustained price recovery unlikely for the time being.

The Norwegian aluminium producer Norsk Hydro has announced that it intends to produce 170 thousand tons or 10% less aluminium by the end of the first quarter of 2009.

Prices

Energy*	current	1 day	1 week	1 month	1 year
Brent Blend	44.9	-0.9%	-1.9%	9.8%	-52%
WTI	42.2	-0.7%	-4.1%	4.6%	-54%
Gasoline RBOB	389.0	3.1%	1.5%	46.9%	-49%
Gasoil	438.3	0.6%	4.8%	8.4%	-46%
Diesel	463.0	2.1%	8.7%	9.9%	-43%
Jet fuel	473.0	0.4%	-2.5%	6.2%	-46%
Natural gas	4.4	0.0%	-5.5%	-27.9%	-45%

Industrial metals**

Aluminum	1366	-0.8%	1.9%	-10.3%	-49%
Copper	3330	-1.3%	6.4%	13.2%	-55%
Lead	1145	0.0%	7.0%	24.6%	-59%
Nickel	11750	-0.9%	5.9%	20.1%	-58%
Tin	11445	-2.1%	-1.7%	14.6%	-34%
Zinc	1145	-0.6%	1.7%	0.2%	-52%

Precious metals***

Gold	887.6	-0.4%	3.1%	0.4%	-4%
Silver	12.0	-0.8%	4.4%	9.3%	-29%
Platinum	956.5	-0.5%	2.5%	3.6%	-45%
Palladium	190.5	-0.7%	2.2%	0.7%	-51%

Agriculturals*

Wheat	595.3	-0.8%	4.2%	-0.2%	-37%
Corn	384.5	-0.9%	-1.7%	-3.2%	-24%
Soybeans	982.5	-0.6%	-3.5%	4.0%	-23%
Sugar	12.9	0.0%	4.0%	15.7%	5%
Coffee	122.5	-0.3%	2.3%	14.5%	-8.6%
Cocoa	2745.0	1.7%	7.3%	6.3%	26%
Live Cattle	81.2	0.0%	-1.4%	-5.6%	-11%
Lean Hogs	56.7	0.0%	-4.9%	-4.1%	-2%

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

Inventory data

* 1 MonatsForward, ** 3 MonatsForward, *** Spot

Energy*	current	1 day	1 week	1 month	1 year
Crude oil	338881	-	1.9%	6.5%	16%
Gasoline	219859	-	-0.1%	6.1%	-2%
Distillates	4170	-	0.4%	-5.3%	7%
Jet fuel	143952	-	-0.7%	6.4%	13%
Natural gas	2560	-	-6.4%	-19.2%	1%

Industrial metals**

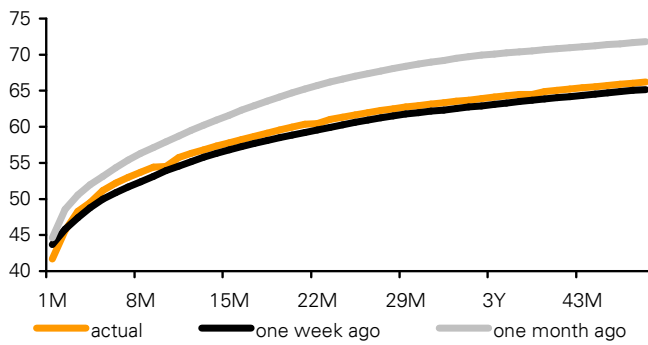
Aluminum LME	2731850	0.5%	3.4%	21.4%	187%
Aluminum COMEX	10924	0.0%	0.0%	0.0%	-28%
Aluminum Shang.	179434	-	-4.4%	-14.5%	78%
Copper LME	454925	0.7%	9.0%	37.3%	165%
Copper COMEX	40240	0.8%	5.7%	18.3%	188%
Copper Shanghai	16567	-	4.4%	-8.9%	-9%
Lead LME	52175	0.1%	5.1%	17.1%	11%
Nickel LME	82764	1.0%	3.5%	6.6%	77%
Tin LME	9050	-0.1%	5.6%	14.3%	-22%
Zinc LME	320575	1.8%	11.2%	26.4%	191%
Zinc Shanghai	61742	-	-0.6%	-4.3%	-

Precious metals***

Gold	8557698	0.1%	0.3%	0.2%	15%
Silver	123636	-0.2%	-0.2%	-2.4%	-8%

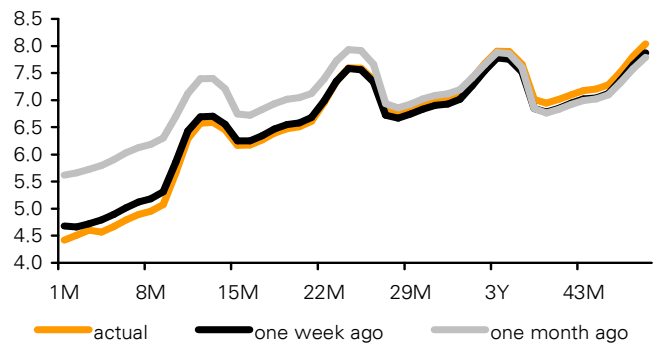
*000 barrels (DOE), ** metric tons, *** gold – oz., silver – '000 oz.

GRAPH 1: Forward curve oil market (WTI)



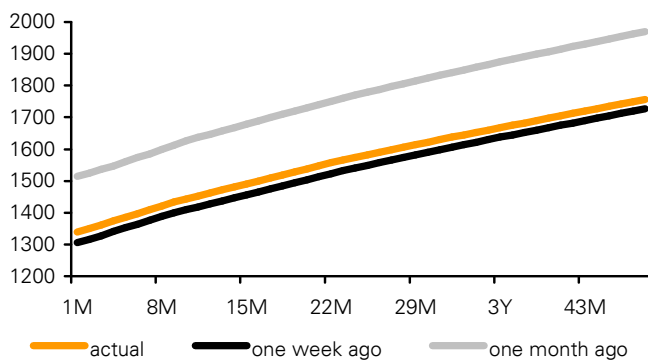
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



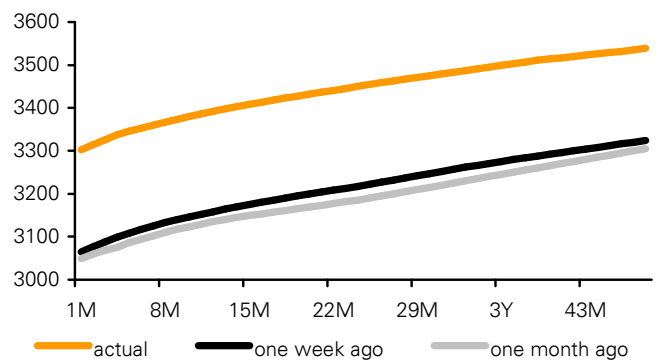
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



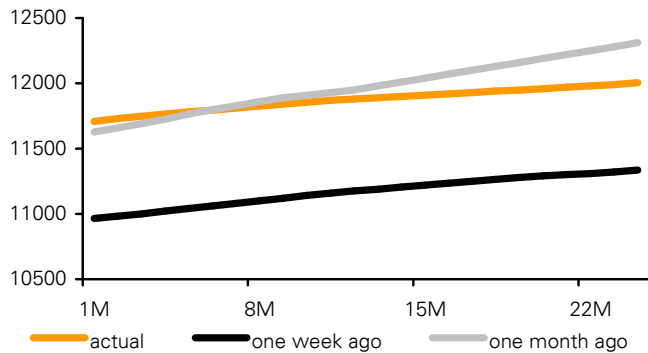
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



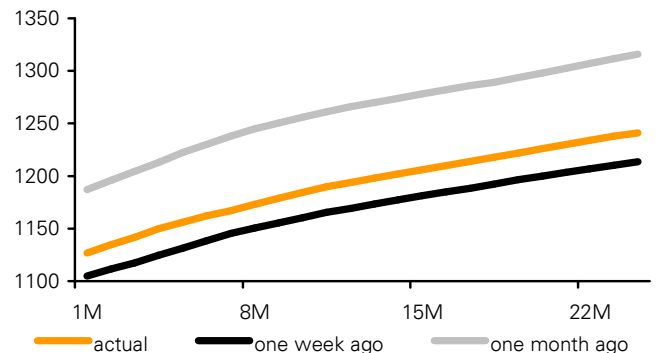
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



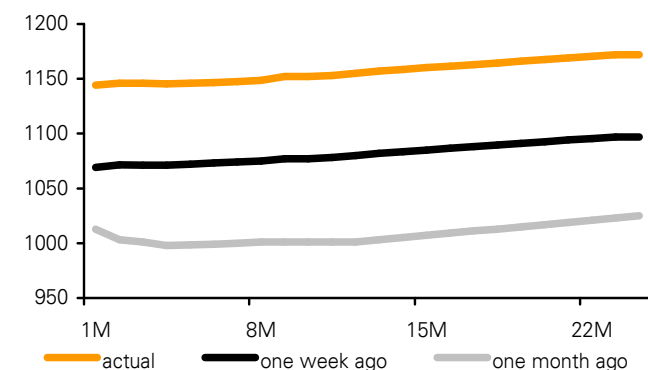
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



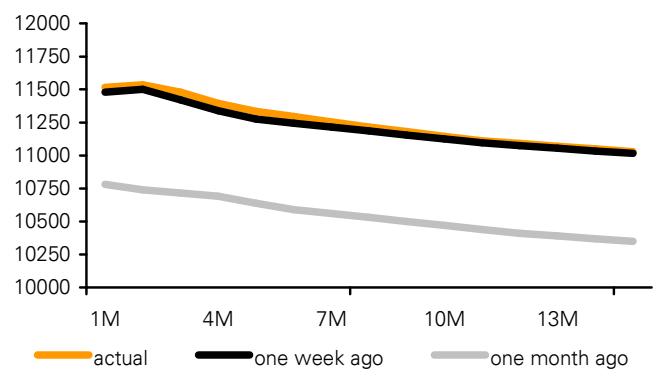
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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Commerzbank Corporates & Markets**Frankfurt**

Commerzbank AG

DLZ - Gebäude 2, Händlerhaus
Mainzer Landstraße 153
60327 FrankfurtTel: + 49 69 136 44440
Fax: + 49 69 136 40357**London**Commerzbank AG
London Branch60 Gracechurch Street,
London
EC3V 0HRTel: + 44 20 7653 7000
Fax: + 44 20 7653 7400**New York**Commerzbank Capital
Markets Corp.2 World Financial Center, 31st floor
New York,
NY 10281-1050Tel: +1 212 703 4000
Fax: +1 212 703 4201