

Commodities Daily

20 February 2009

Is this the end of the build-up in crude oil stocks?

Energy: WTI prices were able to gain strongly yesterday thanks to a surprising drop in US crude oil inventories. The March contract, traded for the last time today, rose at times by as much as 15% to almost \$40 a barrel. The April contract, which will become the new benchmark for WTI on Monday, advanced by nearly 9% and temporarily took the \$40 hurdle. The price rally was not quite as strong for Brent. Because of the lower volatility, Brent is currently serving as a better gauge for oil prices.

As the DOE reported yesterday, crude stocks dropped last week by 138 thousand barrels. Crude oil inventories declined for the first time this year, like stocks in Cushing. This is attributable to the sharp fall in crude oil imports and higher refinery utilisation. As a result, gasoline stocks rose by 1.1 million barrels, which put gasoline prices under pressure temporarily. Distillates stocks decreased, which is normal for the season, by 810 thousand barrels, since the demand for heating oil increases during the heating season. The sharp market response to the slight reduction in crude oil stocks demonstrates that the sentiment on the market was overly pessimistic before, confirming our view that the downside potential of oil prices is virtually exhausted. The fall in inventories could also be an indication that OPEC's production cuts are finally having an impact, but must be confirmed in the upcoming weeks.

Precious metals: Gold retreated as far as \$970 a troy ounce yesterday, after failing for now to pass the peak of mid July at \$988 a troy ounce. Today's economic data do not suggest that gold will stage a breakout to the upside this week. Consumer prices in the US are likely to have fallen in January for the first time in 50 years, year-on-year, which could rekindle the deflation debate. Even so, the price slide of US equities, with the Dow Jones Industrial Average falling to its lowest level since October 2002, should result in a continued positive mood of investors on gold. The climb to the \$1,000 level has therefore probably not been abandoned, but just delayed for a few days. Inflows into the SPDR Gold Trust also continued yesterday. The Fund's gold holdings rose by 5 tons to 1,029 tons, meaning that the reserves in this ETF are only 11 tons short of the gold reserves of the Swiss Nationalbank. Next week at the latest, SPDR Gold Trust should surpass SNB as the world's sixth largest gold holder.

Platinum dropped by 3% yesterday to \$1,070 a troy ounce. One negative factor was the dip in gold prices. Furthermore, General Motors and Chrysler have predicted a slump in car sales this year, so the industrial demand for platinum is likely to remain weak for the time being.

Quote of the week:

**Toward gold through all,
To gold cling all, Yes, all!**

(Goethe's Faust)

US-inventories crude oil /products

13.2.	Weekly chg	Est..	Total.
Crude oil	-0.14	+3.2	350.6
-Cushing	-0.05	-	34.9
Gasoline	+1.11	-0.5	218.7
Distillates	-0.81	-1.5	140.8
Ref.utilis.(%)	+0.72	-0.3	82.3

In Mio. Barrel

Source: DOE, Bloomberg

CHART OF THE DAY: Gold price benefits from elevated risk aversion



Source: Bloomberg, Commerzbank Corporates & Markets

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Base metals: The fall of equity markets and stronger US dollar have put renewed pressure on metal prices this morning. Yesterday's recovery of metal prices has therefore been washed out completely. Sustained price gains are not to be expected at the moment as industrial demand is weak and metal markets are suffering from oversupply despite far-reaching production cuts. This is especially the case with aluminium. LME aluminium stocks rose yesterday by a further 30,850 to a new record of 3.12 million tons. The build-up of aluminium stocks has therefore gained momentum again since mid February, after appearing to level off in the first half of February. To support its domestic producers, China will buy 290 thousand tons of aluminium for the state reserves by mid April, according to well informed sources. Copper stocks have likewise risen by 2,950 to 528,250 tons. This is the highest level since the end of October 2003. Zinc stocks on the LME increased by 1,250 to 354,450 tons but "cancelled warrants" also soared by 36% to 20,400 tons. This could result in a fall in LME zinc stocks in the next few days. Swiss mining company Xstrata has received permission from the Australian government to resume operations at the McArthur River lead and zinc mine. Operations were suspended in mid December because of environmental complaints.

Agriculturals: The rise in cocoa prices in the past months has evidently had a dampening effect on demand. Cocoa grinders in Malaysia have therefore asked cocoa producers in neighbouring Indonesia to delay shipments. 70% of the cocoa beans harvested in Indonesia are shipped to Malaysia for further processing to cocoa butter and cocoa powder, which are used as intermediate products to produce chocolate. Up to 10 thousand tons of cocoa beans are apparently being held at the moment in Indonesia's main cocoa producing province of Sulawesi, corresponding to 2% of Indonesia's total annual cocoa production. Since the outlook for crops in Western Africa's producing countries Ivory Coast and Ghana (both combined account for 50% of the world cocoa production) has improved because of recent rainfall, cocoa prices could come under more pressure. Since peaking at the beginning of February, prices have already dropped by 10% to \$2,600 a ton. While we see substantial upside potential for sugar and coffee prices, we believe the potential for cocoa is exhausted (see today's Commodity Spotlight Agriculturals). The deficit on the cocoa market should prevent cocoa prices from coming under too much pressure, though.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	1 year
Brent Blend	42.0	-1.6%	-7.8%	-5.3%	-58%
WTI	39.5	-2.4%	13.4%	-0.5%	-62%
Gasoline RBOB	373.0	-2.1%	-17.8%	-5.9%	-59%
Gasoil	370.8	1.2%	-8.6%	-16.1%	-58%
Diesel	396.8	-0.4%	-7.0%	-14.3%	-57%
Jet Fuel	406.8	-0.4%	-9.1%	-14.1%	-58%
Gas Henry Hub	4.1	-1.3%	-10.2%	-13.3%	-55%
Base metals ²⁾					
Aluminium	1350	-0.4%	-2.3%	-3.9%	-53%
Copper	3290	-0.3%	-4.4%	-1.8%	-60%
Lead	1070.5	0.4%	-8.1%	-7.7%	-67%
Nickel	9900	0.6%	-3.5%	-13.8%	-65%
Tin	10750	1.4%	-1.8%	-2.2%	-36%
Zinc	1132	-0.6%	-2.4%	-10.0%	-53%
Precious metals ³⁾					
Gold	974.7	0.2%	3.7%	13.9%	3%
Silver	14.0	0.7%	3.3%	26.4%	-21%
Platinum	1069.0	0.8%	1.2%	14.6%	-50%
Palladium	216.0	0.1%	-0.1%	17.1%	-56%
Agriculturals ¹⁾					
Wheat	519.5	0.4%	-3.2%	-5.1%	-49%
Corn	353.3	0.0%	-3.5%	-7.9%	-33%
Soybeans	884.5	0.4%	-8.3%	-10.5%	-36%
Sugar	12.7	1.2%	-2.2%	4.7%	-6%
Coffee	108.9	0.8%	-2.2%	-5.3%	-29.2%
Cocoa	2643.0	0.5%	0.4%	7.8%	7%
Live cattle	81.2	-0.6%	-4.3%	-2.3%	-12%
Lean hogs	60.6	0.6%	3.6%	2.0%	-6%
Currencies ³⁾					
EUR/USD	1.267	-0.61	-2.07	-2.41	-14.39

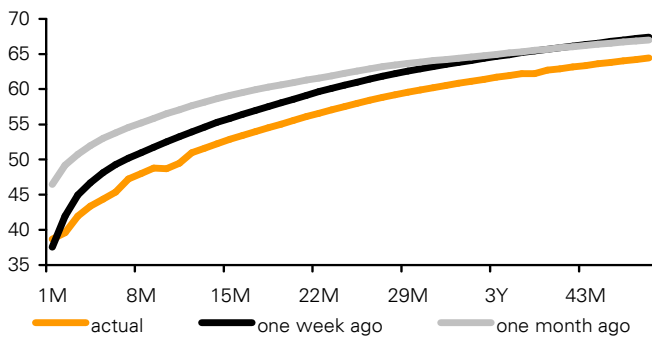
Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	350630	-	0.0%	7.4%	15%
Gasoline	218664		0.5%	2.4%	-5%
Distillates	4147		0.1%	-11.1%	3%
Jet fuel	140752		-0.6%	-2.4%	15%
Gas Henry Hub	1996		-1.2%	-27.1%	13%
Base metals**					
Aluminium LME	3118925	1.0%	6.7%	22.9%	228%
COMEX	10924	0.0%	0.0%	0.0%	0.0%
Shanghai	201082		1.1%	21.1%	69%
Copper LME	528250	0.6%	2.2%	34.2%	276%
COMEX	42110	0.4%	2.1%	14.7%	201%
Shanghai	33881		18.7%	49.0%	9%
Lead LME	55650	-0.3%	0.1%	22.2%	20%
Nickel LME	92310	0.9%	4.0%	16.8%	96%
Tin LME	8765	-0.1%	0.5%	5.6%	-20%
Zinc LME	354450	0.4%	0.8%	29.1%	196%
Shanghai	63640		1.0%	2.5%	
Precious metals***					
Gold	8458484	0.1%	0.4%	-0.8%	11%
Silver	124743	0.0%	-0.4%	-0.7%	-7%
Platinum	1894	0.0%	7.1%	4.8%	77%
Palladium	3524	0.0%	-16.2%	-17.0%	-34%

Source: Bloomberg, Commerzbank Corporates & Markets

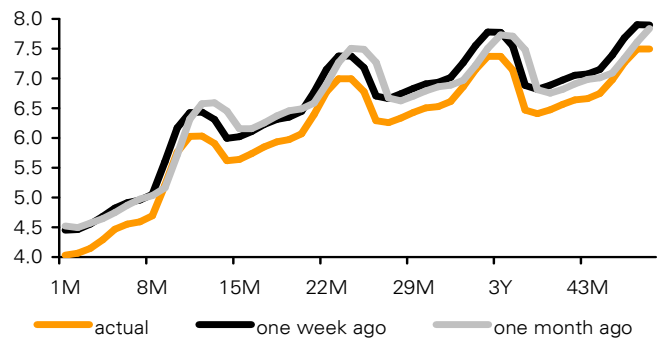
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ Kassa
 * thds barrel, ** tons, *** thds ounces

GRAPH 1: Forward curve oil market (WTI)



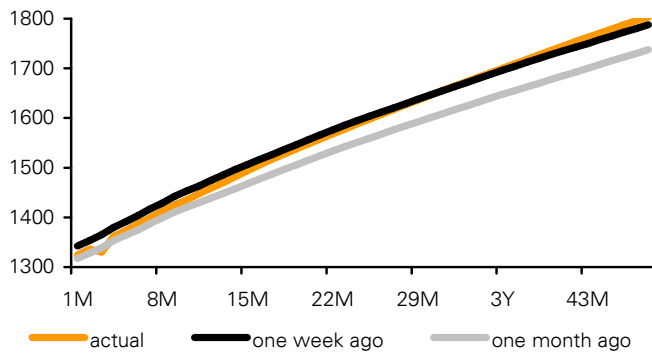
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



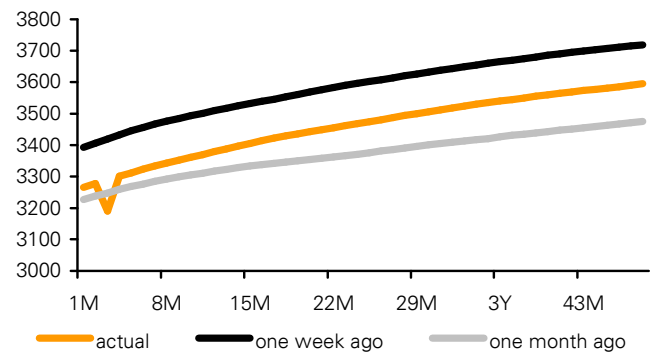
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



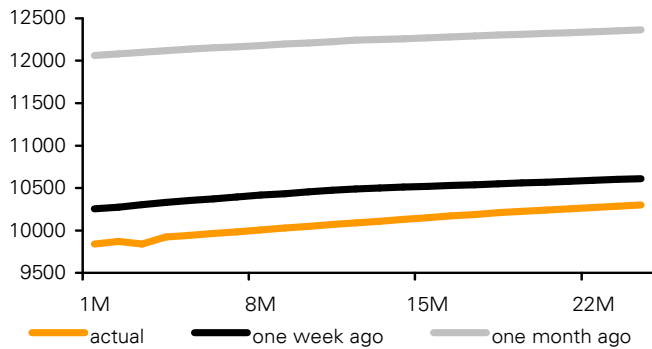
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



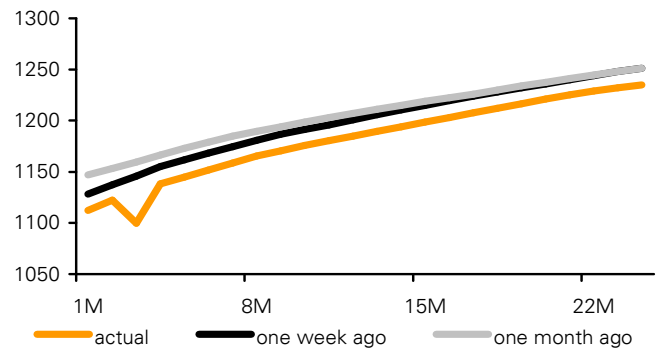
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



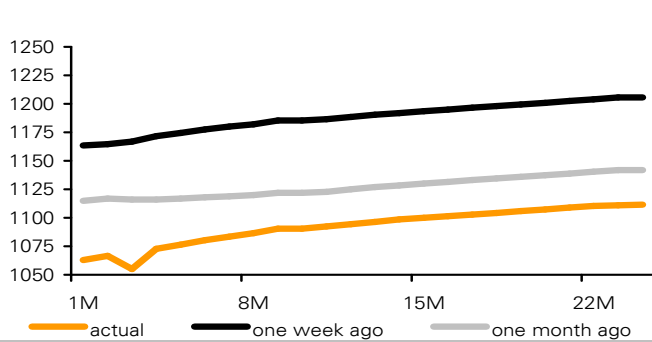
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



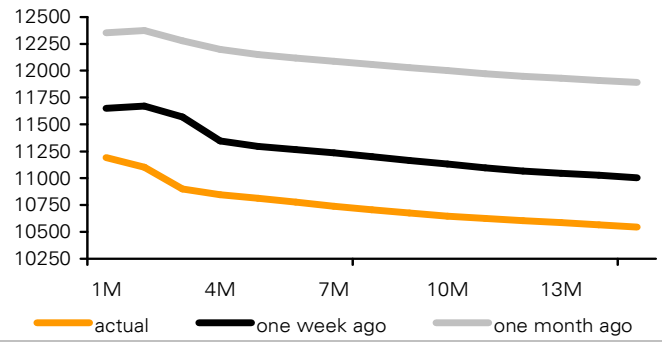
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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