

Commodities Daily

26 April 2010

Friendly start to the trading week

Energy: The price of WTI climbed above the \$85 a barrel mark on Friday on publication of strong US economic data. This level has been sustained since. Brent is still trading at a premium of two US dollars on WTI. Stronger-than-expected data on order intake and US home sales have kindled hopes that the economic recovery of the world's largest oil consumer is gaining momentum. The oil disaster in the Gulf of Mexico is providing additional support. After the explosion and collapse of an oil rig last week, some 1,000 barrels of crude oil are currently leaking into the sea per day and there is a risk of the oil slick reaching land and threatening the Gulf Coast's ecosystem. If this happens, the US administration's recent plans to grant further licences for oil production off the US Gulf Coast could be challenged. These plans aimed at reducing the US's dependence on foreign oil.

Speculative financial investors reduced their net long positions in crude oil in the week ending 20 April by 8.5 thousand to 167,019 contracts. In the past two weeks, net long positions have been reduced by nearly 20 thousand contracts. This level is still relatively high, though. Furthermore, speculative net long positions are likely to have been built up again in the days following the price recovery. In the case of natural gas, speculative financial investors continue to bet on falling prices. Speculative net short positions have been increased by a further 13.5 thousand to 179,538 contracts, the highest level since last October. We still see the risk of a sharp rise in the price of natural gas should position squaring now take place.

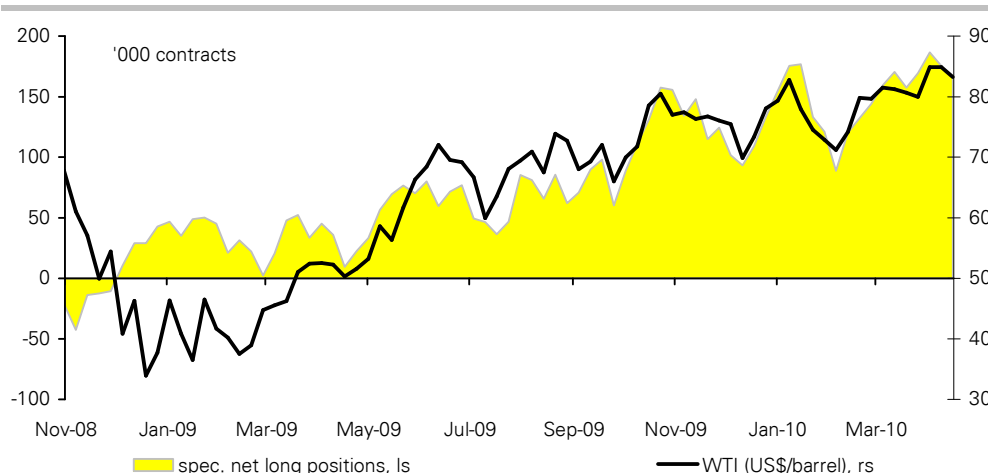
Precious metals: The price of gold has edged to just under \$1,160 a troy ounce against the backdrop of Greece's uncertain financial situation and the end, at least temporarily, of the US dollar's high flight. Gold is thus showing its attraction as a safe haven once again. The Greek government officially requested help from the Eurogroup and the IMF on Friday. The uncertainty on financial markets persists, however, as the aid package for Greece first has to be approved by the national parliaments of the eurozone states. The IMF has already signalled its approval, though, and indicated that Greece will be helped quickly. The two-day meeting of US Federal Reserve starts tomorrow. Interest rates are likely to be left unchanged at the very low level. Given the lack of attractive investment alternatives, commodities in general and gold in particular should remain in demand. Speculative financial investors reduced their net long positions in gold only marginally to 192.2 thousand contracts in the week ending 20 April, which puts them still close to the annual high to date.

Speculative market positioning (net)

	'000 contracts	Weekly change
20-Apr-10		
WTI	167.019	-8485
Henry Hub	-179.538	-13484
Gold	192.240	-4455
Silver	30.679	-1583
Platinum	22.947	-1113
Palladium	13.611	-169
Copper	25.585	-4150
Wheat	-31.286	14694
Corn	-4.718	28423
Soybeans	72.724	24986
Cotton	48.869	4396
Coffee	1.972	-9357
Cocoa	18.620	13 April
Sugar	100.444	-1218

Source: CFTC, Bloomberg

CHART OF THE DAY: Speculative net long positions in crude oil dip slightly



Source: CFTC, Bloomberg, Commerzbank Corporates & Markets

Head of Commodity Research

Eugen Weinberg
+49 69 136 43417
eugen.weinberg@commerzbank.com

Analyst

Carsten Fritsch
+49 69 136 21006
carsten.fritsch@commerzbank.com

Analyst

Barbara Lambrecht
+49 69 136 22295
barbara.lambrecht@commerzbank.com

Analyst

Michaela Kuhl
+49 69 136 29363
michaela.kuhl@commerzbank.com

Analyst

Daniel Briesemann
+49 69 136 29158
daniel.briesemann@commerzbank.com

cbcm.commerzbank.com

Base metals: Base metals have started the new trading week on a friendly note. Copper has risen above \$7,800 a ton again, for example, and nickel is still hovering above the \$27,000 a ton mark. Besides firm equity markets across the globe on the back of strong company reports, which is increasing market players' risk appetite, positive economic data from the USA (home sales, order intake for durable goods) have also resulted in firmer prices. And the dollar is no longer an obstruction, as its high-altitude flight appears to be halted, at least temporarily.

Speculative financial investors on the COMEX reduced their net long positions in copper by 14%, or 4,150 contracts, in the week ending 20 April. This reduction should largely be due to profit-taking, as copper prices traded at just under \$8,000 a ton in this period, a level that had not been seen for over 20 months. At 25.6 thousand contracts, net long positions are still at a high level, however. Money managers are also likely to have already expanded their positions again and thus contributed to copper's price rally in the second half of last week.

Agriculturals: Speculative financial investors reduced their net short positions in corn by 28.4 thousand to 4,718 contracts in the week ending 20 April, meaning that net shorts fell by 85% within a week. Even so, the corn prices have not profited significantly from this. Indeed, favourable weather conditions in the Midwest of the US are currently creating optimum conditions for plantation and growth of the new crop. This is likely to be confirmed by the US Department of Agriculture in its crop progress report published after trading today. According to forecasts, 50% of the crop plantation could have been completed, compared to only 22% at the same time past year. The long-term average is 28%. However, rising demand does suggest rising corn prices in the medium term. Speculative net short positions have also been reduced in the case of wheat; these fell by 14.7 thousand to 31,286 contracts in the same reporting week. The rise in wheat prices to \$5 a bushel could indicate further position squaring in the past few days. We regard the further upside potential as low, given the existing oversupply and the firmer US dollar, which is making US wheat exports more expensive.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	1 year
Brent Blend	87.3	1.8%	3.9%	10.3%	69%
WTI	85.1	1.7%	4.6%	6.5%	65%
Gasoline (95)	802.0	1.6%	3.9%	4.6%	70%
Gasoil	718.5	1.8%	5.2%	9.6%	67%
Diesel	721.5	2.3%	1.9%	8.2%	69%
Jet Fuel	751.0	0.4%	2.0%	7.9%	66%
Gas Henry Hub	4.26	3.1%	9.1%	11.1%	31%
Base metals ²⁾					
Aluminium	2334	0.6%	-1.5%	5.1%	60%
Copper, LME	7750	0.8%	1.7%	4.1%	75%
Copper, SHFE (CNY)	60870	0.8%	1.6%	2.6%	61%
Lead	2320	-0.3%	3.8%	9.2%	62%
Nickel	27050	-0.2%	2.4%	15.9%	137%
Tin	19000	0.5%	1.6%	8.1%	52%
Zinc	2405	-0.5%	1.5%	8.8%	71%
Precious metals ³⁾					
Gold	1157.6	1.4%	1.8%	4.4%	27%
Silver	18.3	1.9%	3.4%	8.6%	42%
Platinum	1742.5	0.0%	3.3%	9.7%	49%
Palladium	563.0	0.0%	6.0%	24.5%	143%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	131.0	-0.9%	1.2%	4.2%	-10%
Wheat, CBOT	493.3	-1.1%	6.8%	7.5%	-6%
Corn	353.0	-2.6%	2.4%	-0.1%	-6%
Soybeans	1000.0	-0.4%	3.2%	5.9%	-3%
Cotton	82.4	-0.7%	5.3%	1.7%	65%
Sugar	15.80	0.9%	-6.6%	-7.1%	14%
Coffee Arabica	132.3	0.4%	2.6%	-2.6%	11%
Coffee Robusta	1292.0	-0.4%	-1.7%	-1.1%	-14%
Cocoa	3182.0	1.8%	7.3%	9.9%	30%

Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	355857	-	0.5%	3.4%	-4%
Gasoline	224925		1.6%	-1.0%	4%
Distillates	4057		2.4%	7.0%	-2%
Jet fuel	148883		1.4%	0.5%	5%
Gas Henry Hub	1829		4.2%	13.3%	5%
Base metals**					
Aluminium LME	4558000	-0.2%	0.0%	-0.5%	23%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	425322		-0.1%	7.9%	202%
Copper LME	506125	-0.2%	-0.3%	-2.1%	18%
COMEX	101128	0.0%	0.0%	-0.9%	113%
Shanghai	187907		1.1%	11.1%	1148%
Lead LME	179575	0.0%	-0.2%	4.3%	150%
Nickel LME	145722	-0.6%	-3.2%	-6.5%	37%
Tin LME	21615	-2.8%	-9.6%	-10.9%	84%
Zinc LME	541950	-0.2%	-0.9%	-0.1%	59%
Shanghai	256334		2.0%	14.7%	
Precious metals***					
Gold	10152	0.0%	0.6%	1.3%	20%
Silver	115333	0.0%	-0.2%	-0.4%	-1%
Platinum	128	0.0%	1.0%	-4.8%	-2%
Palladium	645	0.0%	2.7%	2.7%	63%

Currencies 3)

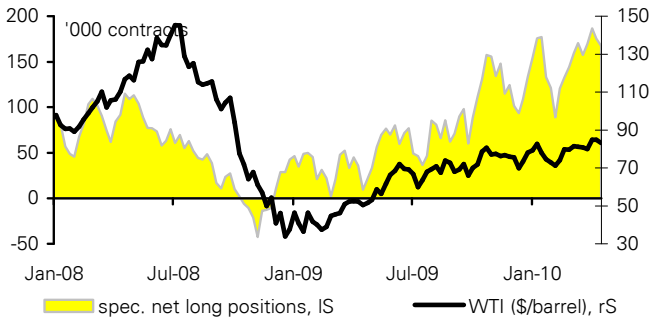
EUR/USD	1.3382	0.4%	-1.2%	-0.6%	2%
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Source: Bloomberg, Commerzbank Corporates & Markets

Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
* '000 barrel, ** tons,*** '000 ounces

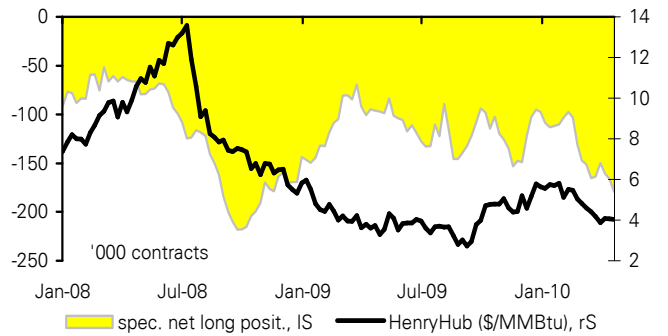
Net long positions of money managers vs. price

GRAPH 1: Crude oil (WTI)



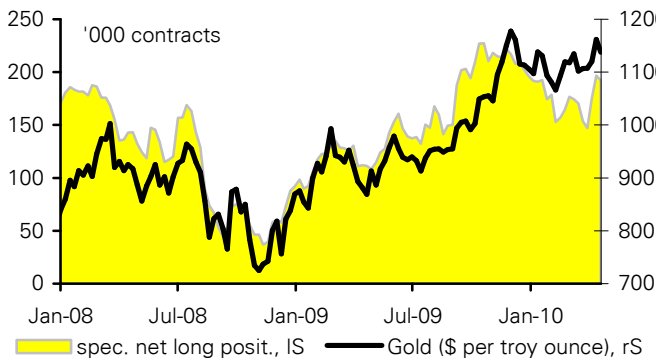
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Natural gas (Henry Hub)



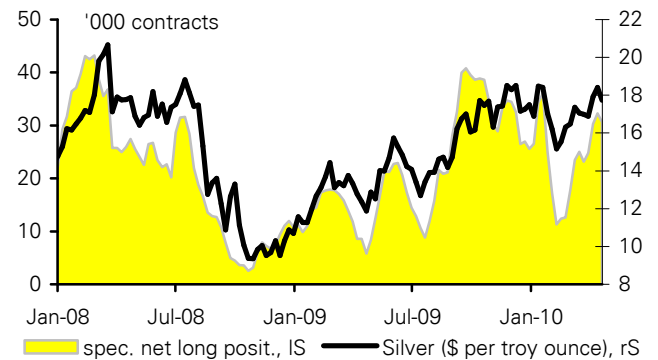
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Gold



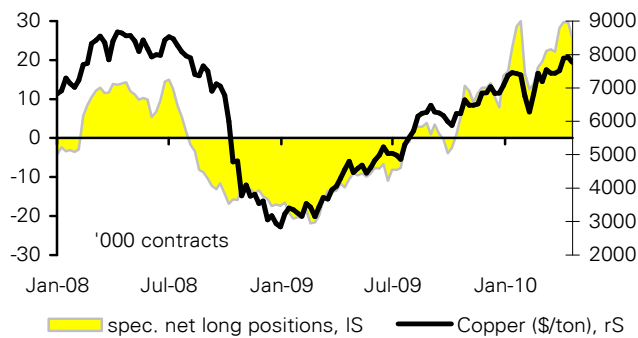
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Silver



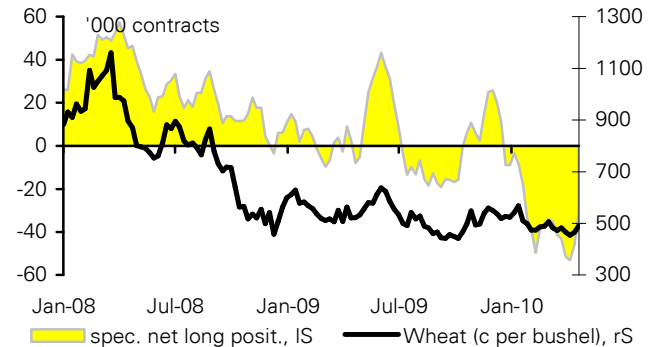
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Copper



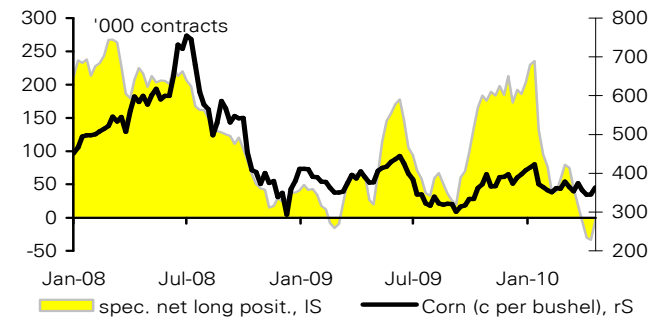
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Wheat



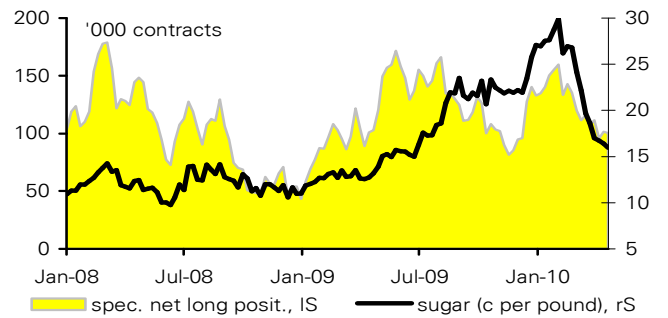
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Corn



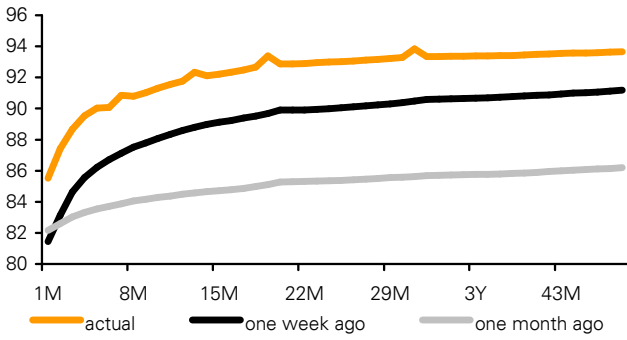
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Sugar



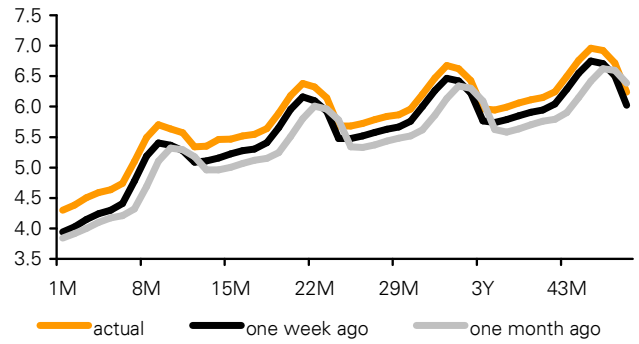
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH9: Forward curve oil market (WTI)



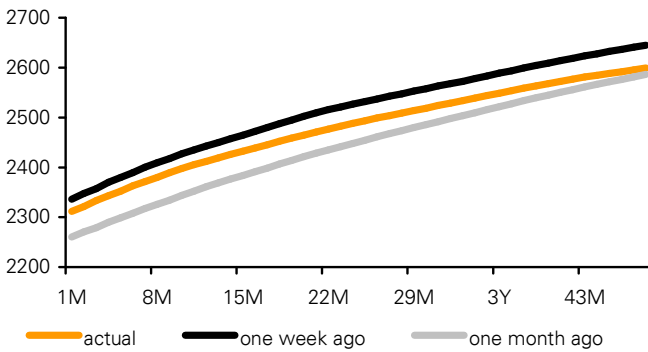
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve gas market (Henry Hub)



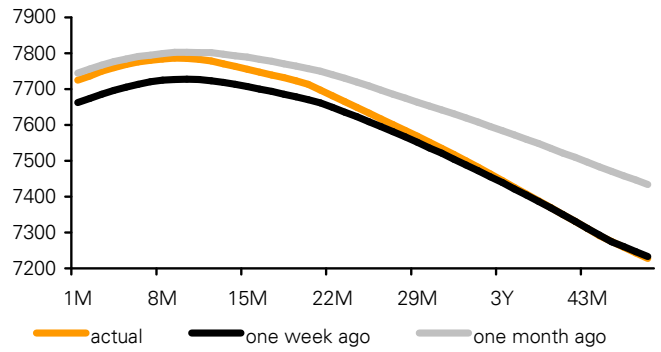
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve aluminium (LME)



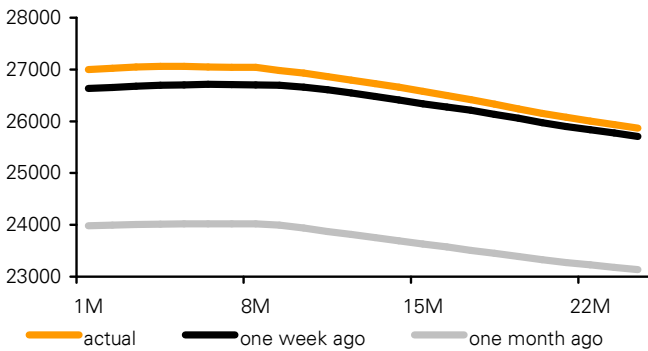
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve copper (LME)



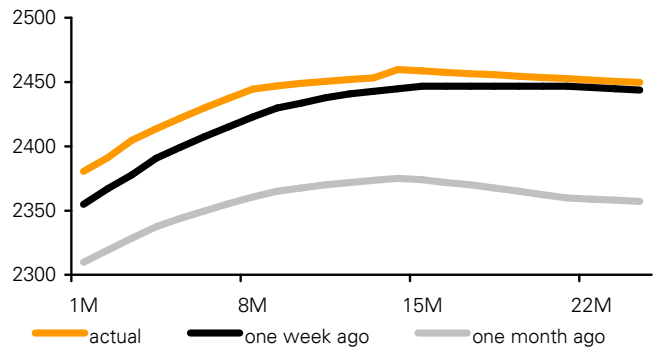
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve Nickel (LME)



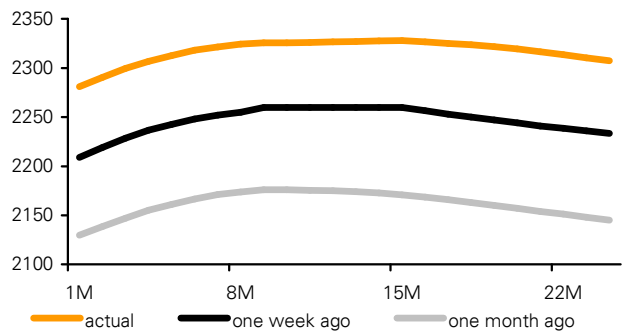
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve zinc (LME)



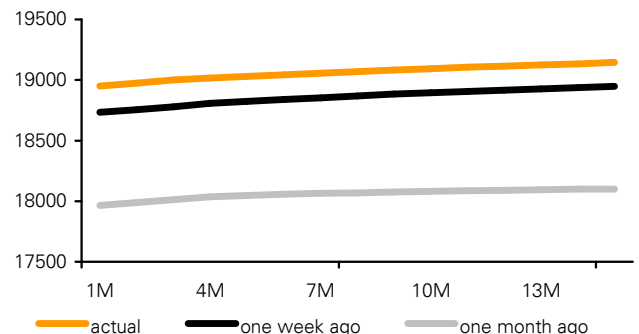
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 15: Forward curve lead (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 16: Forward curve tin (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

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Frankfurt	London	New York
Commerzbank AG	Commerzbank AG London Branch	Commerzbank Capital Markets Corp.
DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt	PO BOX 52715 30 Gresham Street London, EC2P 2XY Tel: +44 207 623 8000	2 World Financial Center, 31st floor New York, NY 10281-1050 Tel: +1 212 703 4000 Fax: +1 212 703 4201