

Commodities Daily

3 May 2010

Oil disaster supports WTI versus Brent

Energy: The price of WTI has dipped below the \$86 a barrel mark this morning on the back of a firmer US dollar and weaker equity markets. It is still fair to say, though, that the market has been little impressed so far by the bearish news for prices. Due to the market's selective perception of events, factors supporting prices are drawing more attention at the moment than adverse news for prices, especially as the oil disaster in the Gulf of Mexico is providing further support. The US administration has initially suspended new offshore drilling until the causes of the disaster have been clarified. Although shipping routes have not been restricted so far, there is still a possibility that the oil slick will affect important shipping routes and oil production in the Gulf of Mexico. If this happens, supply stoppages would have to be expected and this would mean a temporary decline in oil imports and a short-term reduction of stocks. As a result, Brent's premium on WTI has fallen to just over one US dollar, compared to a good three US dollars early last week. Net long positions of speculative financial investors in crude oil dropped by 20 thousand to 146,930 contracts in the week ending on 27 April, the lowest level since the end of February. On the other hand, speculative net short positions in natural gas fell by 31.3 thousand to 148,220 contracts. This indicates a temporary unwinding of "long oil, short gas" trading positions. However, a build-up of such positions is likely to have already taken place again in the past few days.

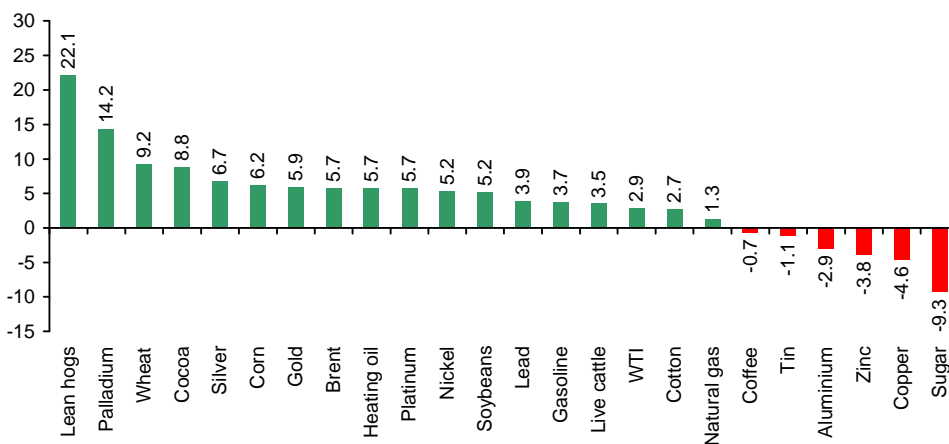
Precious metals: Gold prices are holding their ground, despite the strong US dollar, and still trading at around \$1,180 a troy ounce. Although a rescue package for Greece was finally put together by Eurogroup and the International Monetary Fund at the weekend, there are still concerns that this package is only buying time and the long-term problems will persist. Furthermore, there were rumours beforehand that the rescue package could turn out to be higher than ultimately decided and it was therefore a disappointment to some market players. Although default by Greece during the three-year aid programme has become improbable, no details were announced on the urgently needed structural reforms of the Greek economy. Moreover, credible sanctions are lacking in the case that Greece does not comply with the quite demanding deficit terms attached to the programme. Uncertainty is therefore likely to persist on markets and gold should remain well supported. This is also reflected in the positioning of speculative financial investors on the COMEX. In the week up to 27 April, net long positions in gold increased by 13.2 thousand to 205.4 thousand contracts. This is the highest level since mid December.

Speculative market positioning (net)

	'000 contracts	Weekly change
27-Apr-10		
WTI	146.930	-20089
Henry Hub	-148.220	31318
Gold	205.443	13203
Silver	32.596	1917
Platinum	23.718	771
Palladium	14.417	806
Copper	22.381	-3204
Wheat	-28.406	2880
Corn	-17.778	-13060
Soybeans	84.724	12000
Cotton	51.904	3035
Coffee	-2.208	-4180
Cocoa	26.526	4676
Sugar	86.855	-13589

Source: CFTC, Bloomberg

CHART OF THE DAY: Performance of commodity prices in April (in %)



Source: Bloomberg, Commerzbank Corporates & Markets

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Base metals: Base metals are likely to come under pressure as the trading week gets under way because of several items of bearish news. Besides the strong US dollar, the Chinese government's decision to raise the minimum reserve requirements for banks for the third time this year is likely to have a negative impact. The resulting restrictions on lending should also have an adverse impact on the commodities demand. Furthermore, the Australian government is planning to introduce a new 40% special tax on the profits of mining companies. In the wake of the sharp expansion of metals supply, stocks at the Shanghai Futures Exchange continued to rise in the week ending 29 April. Copper stockpiles climbed for the fourth consecutive week to nearly 190 thousand tons, the highest level since 2003 at least, when records began. Aluminium and zinc stocks have also risen further to 434 thousand and almost 260 thousand tons respectively, marking new highs too. At the same time, speculative financial investors in copper appear to be withdrawing further. Net long positions on the COMEX were reduced by 3.2 thousand contracts in the week ending 27 April, the third week in a row where stocks have fallen. At 22.4 thousand contracts, these are currently at a 5-week low. A further reduction of net long positions could increase the pressure on metal prices. We still expect a significant correction of metal prices. Given the public holidays, markets remain closed in Japan, China and the United Kingdom, so there will be no listings today on the LME and SHFE.

Agriculturals: After non-commercials had reduced their net short positions in corn in the week before, these rose again by a good 13 thousand contracts in the week up to 27 April. This week, the orders for corn shipments from the US to China announced since - the first for nearly four years - could turn the market's focus more to the demand side and away slightly from the favourable supply outlook. In addition, rising US ethanol production should move more into the spotlight again. In the short term, there is also support from the supply front: the corn plantation that has made fast progress so far is now being delayed by rainfall. The US Department of Agriculture publishes its crop progress report after trading today. In contrast, there has been short covering in wheat, pushing prices up to \$5 a bushel temporarily in the reporting week. Such price movements have not proven sustainable given the current market environment of high stockpiles and good growth conditions.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	1 year
Brent Blend	87.4	0.6%	0.8%	4.2%	12%
WTI	86.2	1.2%	2.3%	1.4%	8%
Gasoline (95)	801.0	-0.2%	-0.1%	2.3%	14%
Gasoil	731.8	0.5%	2.2%	4.4%	16%
Diesel	742.0	-0.1%	0.5%	7.9%	13%
Jet Fuel	782.0	-1.3%	1.7%	8.5%	11%
Gas Henry Hub	3.92	-1.5%	-7.7%	-3.7%	-29%
Base metals ²⁾					
Aluminium	2200	0.5%	-3.4%	-2.9%	1%
Copper, LME	7355	-0.6%	-4.1%	-4.6%	1%
Copper, SHFE (CNY)	58400	-0.3%	-3.3%	-4.1%	-2%
Lead	2230	-0.3%	-3.0%	3.9%	-8%
Nickel	25400	-1.0%	-2.8%	5.2%	42%
Tin	18160	0.9%	-3.9%	-1.1%	8%
Zinc	2268	-2.7%	-5.0%	-3.8%	-11%
Precious metals ³⁾					
Gold	1179.2	1.1%	2.1%	5.1%	7%
Silver	18.6	0.9%	1.5%	3.7%	10%
Platinum	1736.8	0.3%	-0.8%	4.1%	18%
Palladium	548.3	-0.5%	-3.5%	13.5%	34%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	132.0	-0.2%	0.8%	5.4%	1%
Wheat, CBOT	491.8	1.5%	3.4%	8.2%	-9%
Corn	366.3	1.6%	3.6%	6.0%	-12%
Soybeans	989.5	0.4%	-1.4%	4.6%	-5%
Cotton	81.7	-2.4%	-1.8%	2.7%	9%
Sugar	15.15	-0.9%	-3.3%	-8.7%	-44%
Coffee Arabica	135.2	0.5%	2.6%	-0.7%	-1%
Coffee Robusta	1292.0	0.8%	-0.4%	-2.4%	0%
Cocoa	3229.0	1.0%	1.5%	8.8%	-2%

Inventories

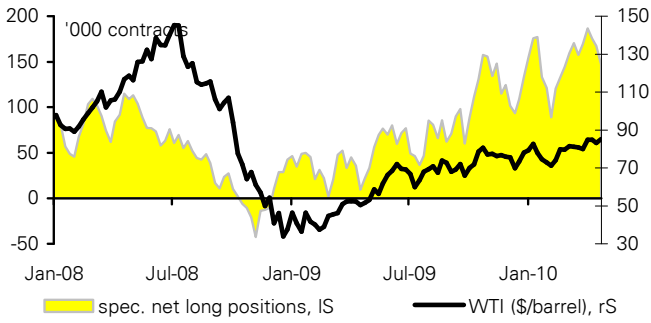
Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	357820	-	0.6%	1.9%	-4%
Gasoline	223685		-0.6%	-0.4%	5%
Distillates	4163		2.6%	12.5%	0%
Jet fuel	151820		2.0%	4.2%	5%
Gas Henry Hub	1912		4.5%	17.6%	5%
Base metals**					
Aluminium LME	4535450	-0.1%	-0.7%	-1.4%	20%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	434022		2.1%	6.7%	180%
Copper LME	499300	-0.6%	-1.5%	-2.9%	23%
COMEX	101151	0.0%	0.0%	0.1%	110%
Shanghai	189441		0.8%	21.9%	894%
Lead LME	180850	0.4%	0.7%	2.8%	152%
Nickel LME	145314	-0.4%	-0.9%	-7.1%	27%
Tin LME	21135	0.5%	-4.9%	-13.0%	70%
Zinc LME	552525	1.3%	1.8%	1.9%	66%
Shanghai	259197		1.1%	6.2%	
Precious metals***					
Gold	10184	0.4%	0.3%	1.6%	20%
Silver	116178	0.7%	0.7%	0.1%	0%
Platinum	128	0.0%	-0.2%	-4.9%	0%
Palladium	634	-0.4%	-1.8%	-0.4%	61%
Currencies ³⁾					
EUR/USD	1.3296	0.9%	-1.2%	-1.9%	-1%

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

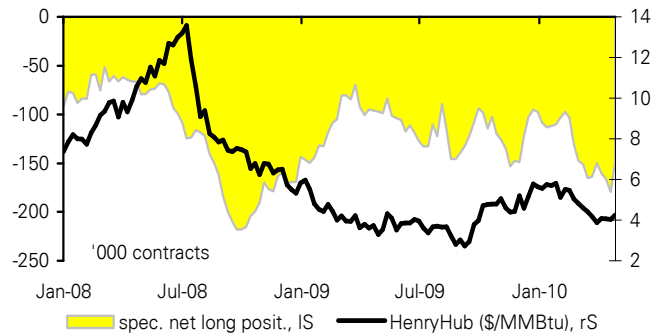
Net long positions of money managers vs. price

GRAPH 1: Crude oil (WTI)



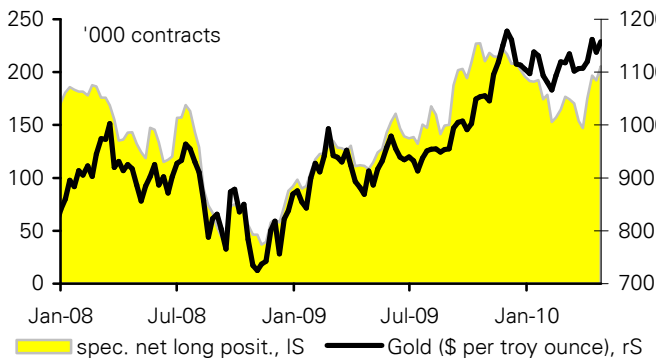
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Natural gas (Henry Hub)



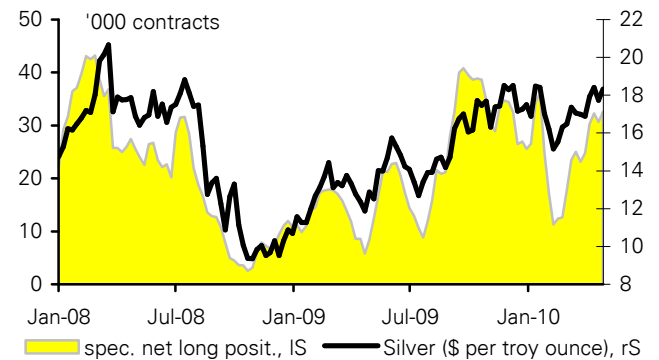
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Gold



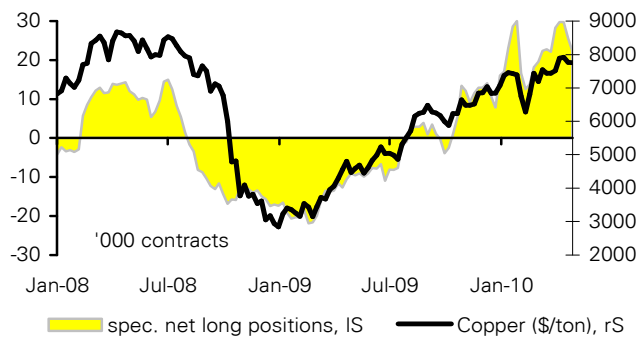
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Silver



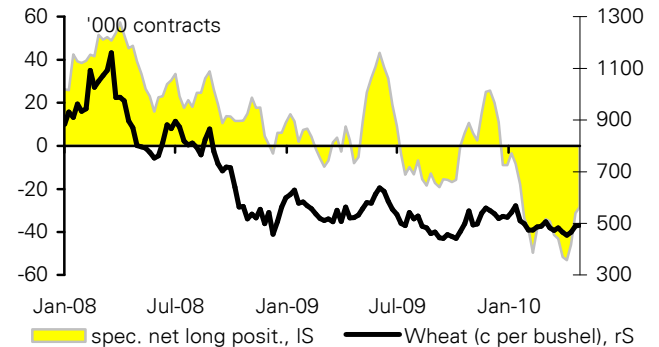
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Copper



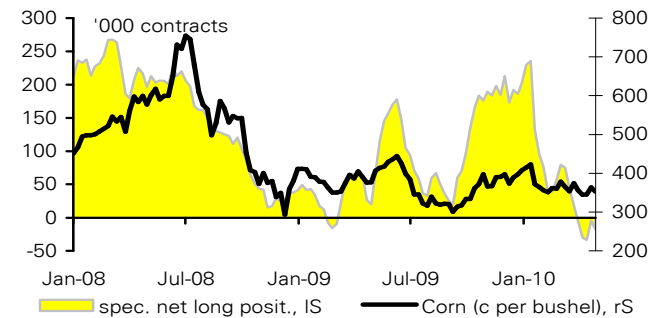
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Wheat



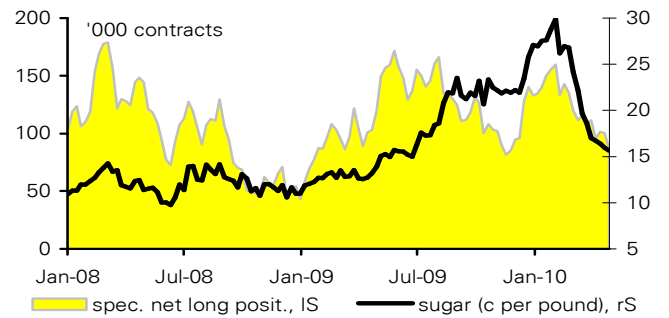
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Corn



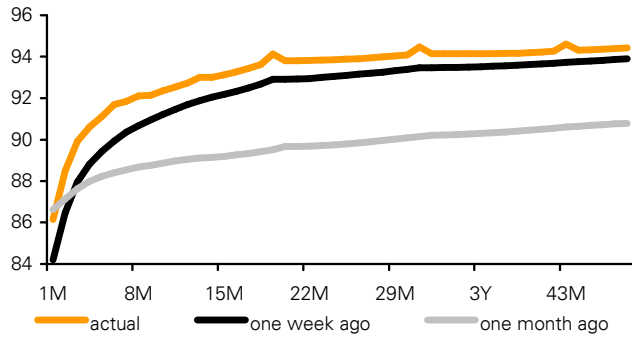
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Sugar



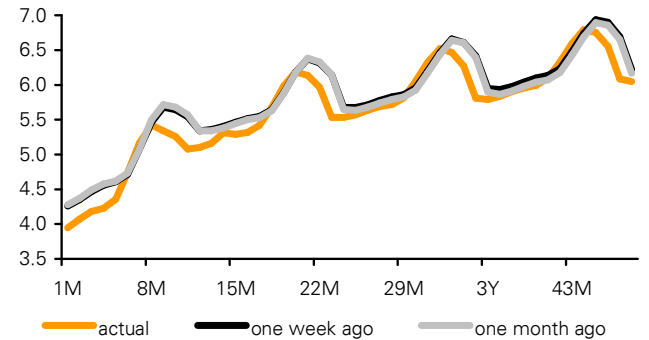
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH9: Forward curve oil market (WTI)



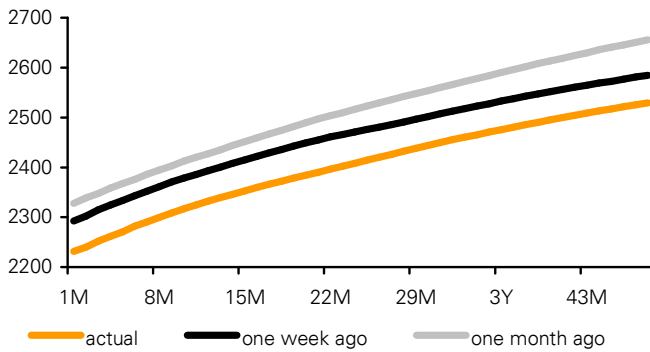
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve gas market (Henry Hub)



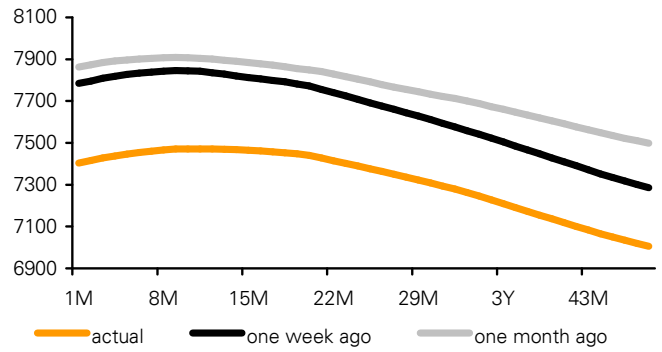
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve aluminium (LME)



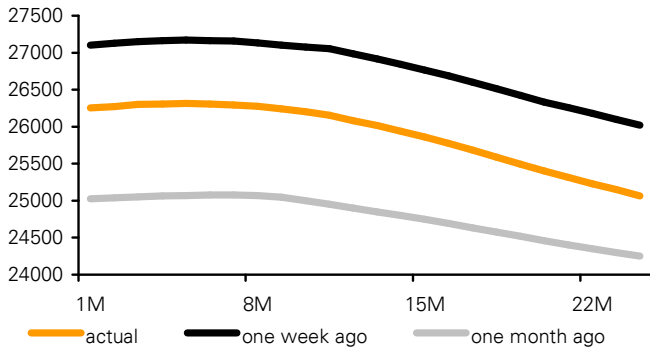
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve copper (LME)



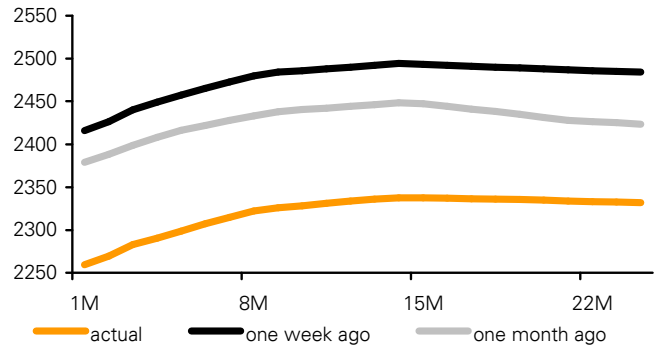
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve Nickel (LME)



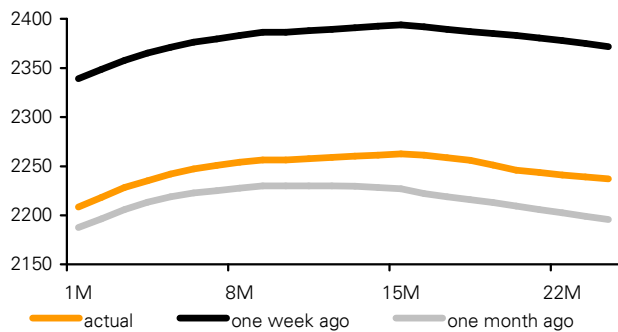
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve zinc (LME)



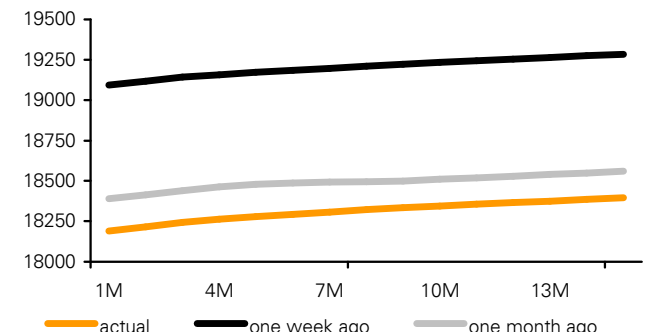
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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