

Commodities Daily

5 May 2010

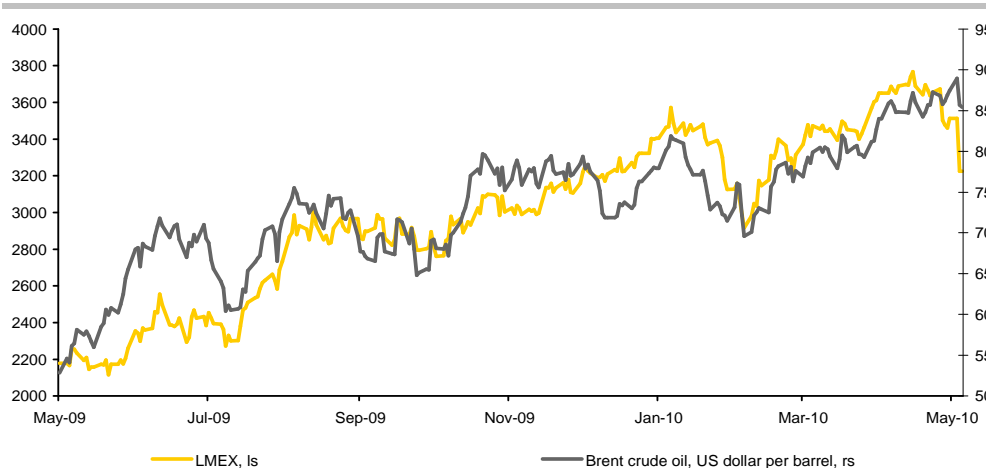
Black day for commodities markets

Energy: Crude oil prices made heavy losses yesterday on the back of a firmer US dollar and falling equity markets. WTI shed 4% and dipped below \$82 a barrel temporarily. Brent also dropped by nearly 4% to \$85. Given the ongoing appreciation of the dollar and the weak opening of equity markets, oil prices are likely to remain under pressure. The price gap between the two next WTI contracts is currently over three US dollars and therefore almost as high as last in February 2009. The reason is the ample supply of crude oil in the USA. The API yesterday reported a rise in US crude oil stocks of 3 million barrels, which was much more than expected and the tenth weekly rise in succession. Stocks at Cushing, the main trading point for WTI, rose by a further 1.7 million barrels to a new record level of 36.3 million barrels. Today's inventory data published by the DOE should also reveal an increase in crude oil and oil product stocks, as the steepness of the forward curve is making storage increasingly attractive. This also means a lower risk of supply bottlenecks after the oil disaster in the Gulf of Mexico, even if shipments have been interrupted temporarily. This speaks against the price gap narrowing significantly in the coming days. The high gasoline prices, with average filling station prices in the US reaching their highest level since October 2008 last week, at \$2.95 a gallon, appear to be putting the brakes on gasoline demand. According to Mastercard, gasoline consumption in the USA was 1.1% lower on average in the past four weeks than it was a year ago. We are sceptical that the recovery of oil demand expected by the market in the industrialized countries will actually happen at the current price level.

Precious metals: Gold has essentially been able to hold its ground against the rising US dollar and is now trading just 1% lighter, at \$1,170 a troy ounce. Denominated in euros, gold has even reached a new record high, at over €914 a troy ounce. In contrast to gold, the other precious metals have been caught up in the general downward movement on commodities markets, because of their industrial character, and have shed up to 5%.

According to the World Gold Council, the International Monetary Fund (IMF) sold 18.5 tons of gold in March under the Central Bank Gold Agreement, which is more than treble the volume in February. Consequently, the IMF still has 167 tons of gold available, which is to be sold on-market. The sales had little impact on prices, though, as investors have already invested in gold as a safe haven in view of the heightening debt crisis in Greece. According to the Ministry of Industry and Information Technology, China expanded its gold production in the first quarter by 4.4%, year-on-year, to 70.2 tons. As China's gold reserves are still very low in relation to the total currency reserves, this gold should not reach the market and therefore not weigh on gold prices.

CHART OF THE DAY: Correction of metals is more advanced than for crude oil



Source: LME, Bloomberg, Commerzbank Corporates & Markets

US-inventories crude oil /products

	API	DOE	
Crude oil	30.4	Survey	23.4
Gasoline	+2.95	+1.0	+1.96
Distillates	+1.46	+1.0	-1.24
Utiliz. (%)	+1.37	+2.0	+2.94
Imports	+2.70	+0.1	+3.02
	0.36		0.07

Weekly change in mm barrels, imports in mbpd

Source: API, DOE, Bloomberg

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Base metals: Although base metals have largely ignored US dollar movements recently and made gains despite the stronger greenback, the dollar did come into the spotlight again yesterday, gaining nearly 2% against the euro. Coupled with weak equity markets across the globe, a contributing factor in rising risk aversion, this led to a price slide in base metals for the second time in a week. Lead showed the poorest performance, shedding 7.6%, while zinc and nickel also lost over 6%. Copper retreated by nearly 5.5% to its lowest level for 10 weeks and is only just managing to keep above the psychologically important mark of \$7,000 a ton. Speculative financial investors are likely to have further reduced their net long positions and thus played a decisive role in the price slump. The fundamental picture on metal markets has not improved either. At the start of the week, the Chinese government increased the minimum reserve requirements for banks for the third time this year, which should mean restrictions in lending. Furthermore, China's purchasing managers' index for the manufacturing sector was weaker than expected in April. This is fuelling concerns among market players that the Chinese economy and commodities demand is cooling, which should also dampen import momentum significantly. A strong pillar of support for metal prices would thus be removed.

Agriculturals: Wheat was one of the few commodities to gain ground yesterday, rising by 2% to \$5 a bushel. This rise has nothing to do with tightening supply in our view, though. Speculative financial investors have more likely squared short positions. In the case of wheat, net short positions have been at a record level until recently, because of the high stocks after two years of high crop surpluses. Consequently, we have repeatedly seen short-term price rallies on the back of position squaring. The last instances have not proven to be sustainable though. Given the ample supply and the tough competition between suppliers there is little prospect of the \$5 hurdle being taken in the near term. In addition, the huge appreciation of the US dollar in the past few days is reducing the price competitiveness of US wheat, which is likely to be reflected in lower wheat exports in the coming weeks. And there is still a risk of interruptions to shipments because of the oil disaster in the Gulf of Mexico, which could put other suppliers at an advantage.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	ytd
Brent Blend	85.7	-3.7%	-0.9%	-0.6%	10%
WTI	82.7	-4.0%	-1.2%	-5.0%	4%
Gasoline (95)	796.0	-0.7%	-0.3%	1.5%	14%
Gasoil	724.3	-2.6%	0.3%	-1.2%	12%
Diesel	746.0	-0.7%	1.3%	3.3%	13%
Jet Fuel	784.0	0.3%	0.3%	3.3%	10%
Gas Henry Hub	4.01	0.3%	-5.9%	-6.0%	-28%
Base metals ²⁾					
Aluminium	2163	-4.1%	1.0%	-7.6%	-3%
Copper, LME	7025.5	-5.4%	-5.8%	-10.5%	-4%
Copper, SHFE (CNY)	56470	-2.6%	-6.2%	-8.3%	-5%
Lead	2072	-7.6%	-9.9%	-6.2%	-15%
Nickel	24650	-6.3%	-5.9%	-2.7%	32%
Tin	17850	-2.2%	-3.8%	-3.3%	5%
Zinc	2147	-6.0%	-7.7%	-9.3%	-15%
Precious metals ³⁾					
Gold	1171.3	-0.9%	0.2%	3.1%	6%
Silver	17.9	-5.0%	-2.3%	-2.3%	5%
Platinum	1669.0	-3.1%	-2.0%	-1.9%	14%
Palladium	518.0	-4.3%	-5.5%	1.7%	25%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	130.5	-0.4%	0.4%	4.0%	-1%
Wheat, CBOT	499.8	2.0%	4.5%	9.8%	-8%
Corn	360.0	-0.8%	0.8%	4.1%	-13%
Soybeans	977.0	0.1%	0.0%	5.0%	-5%
Cotton	81.9	-1.1%	-4.2%	-2.3%	5%
Sugar	14.55	0.3%	-0.5%	-11.3%	-46%
Coffee Arabica	137.4	-0.7%	5.0%	0.0%	1%
Coffee Robusta	1341.0	3.8%	7.8%	-1.1%	4%
Cocoa	3159.0	-1.9%	-1.1%	5.7%	-4%

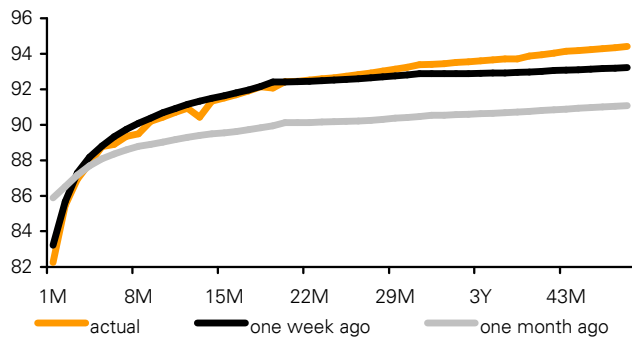
Inventories

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	4529550	-0.1%	-0.6%	-1.4%	19%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	434022		2.1%	6.7%	180%
Copper LME	496975	-0.5%	-1.8%	-3.0%	25%
COMEX	101151	0.0%	0.0%	0.1%	110%
Shanghai	189441		0.8%	21.9%	894%
Lead LME	182125	0.7%	1.4%	3.3%	152%
Nickel LME	145782	0.3%	0.0%	-7.4%	28%
Tin LME	21135	0.0%	-2.2%	-12.5%	68%
Zinc LME	559475	1.3%	3.2%	3.2%	70%
Shanghai	259197		1.1%	6.2%	
Precious metals***					
Gold	10189	0.1%	0.3%	2.1%	20%
Silver	115481	0.5%	0.3%	-0.5%	-1%
Platinum	128	0.0%	-0.3%	-4.7%	0%
Palladium	633	0.0%	-0.5%	-0.4%	60%
Currencies ³⁾					
EUR/USD	1.2987	-1.6%	-2.1%	-4.0%	-3%

Source: Bloomberg, Commerzbank Corporates & Markets

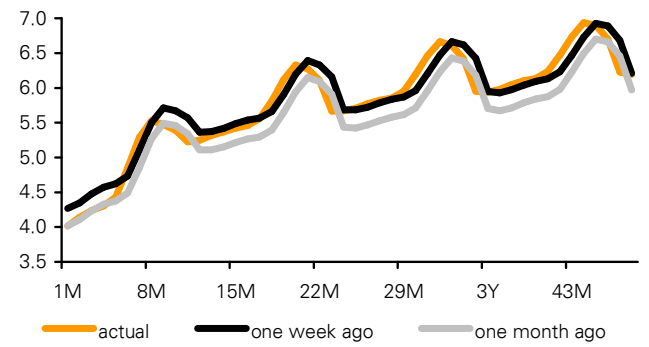
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
 * '000 barrel, ** tons,*** '000 ounces

GRAPH 1: Forward curve oil market (WTI)



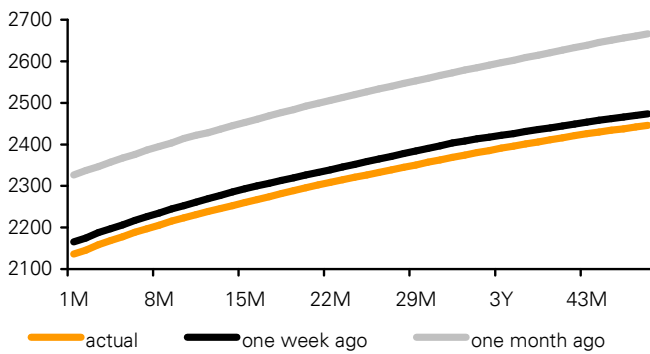
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



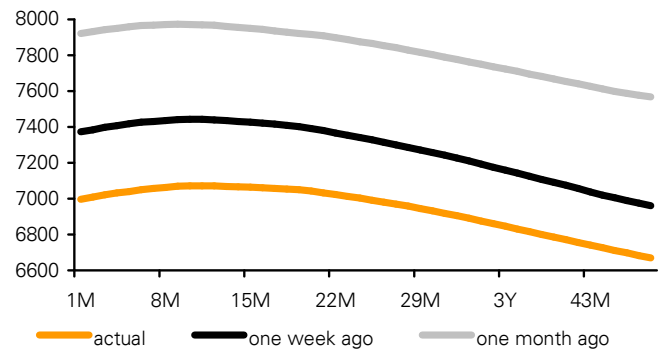
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



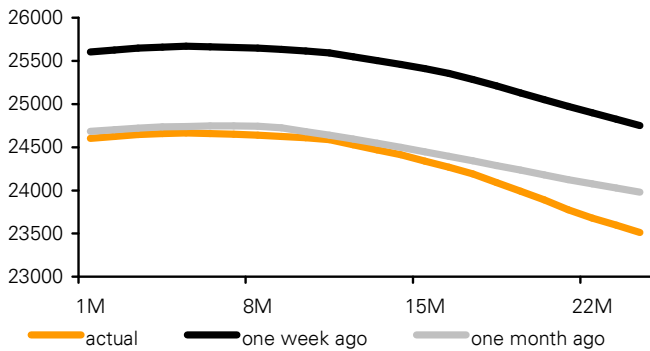
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



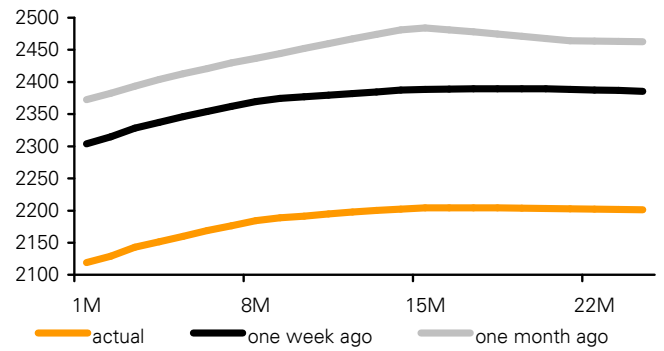
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



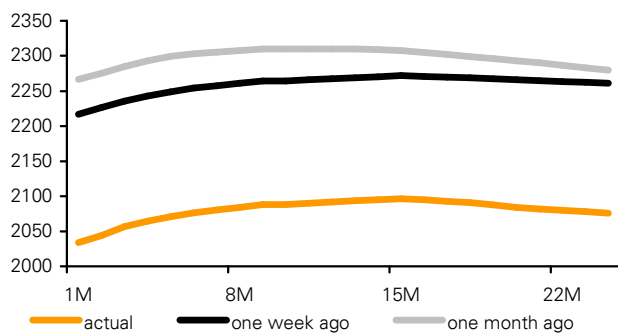
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



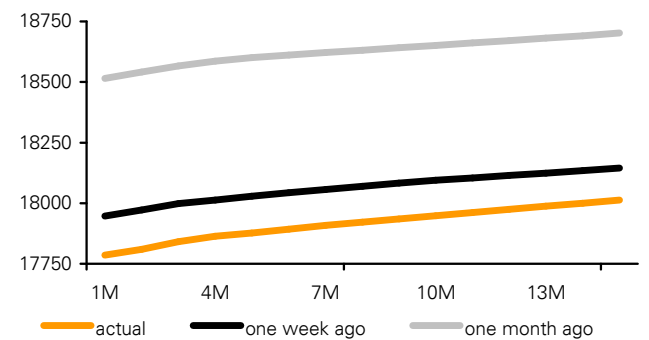
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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