

Commodities Daily

4 June 2010

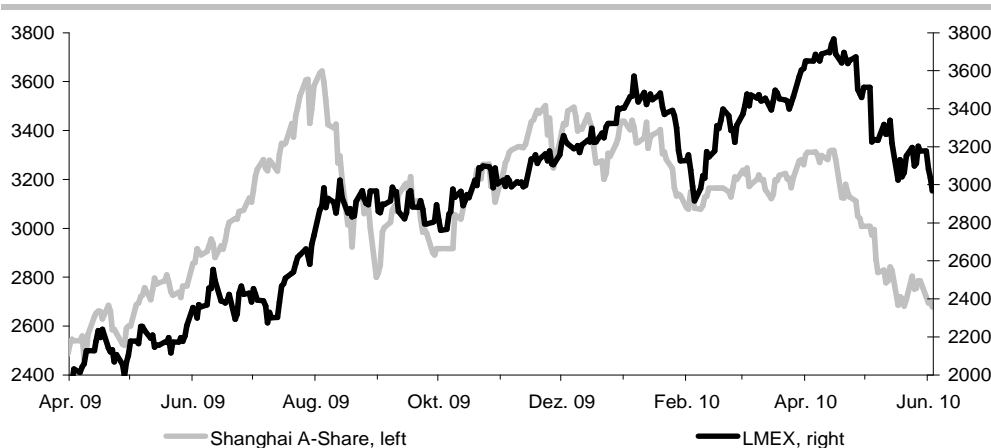
South African gold production slumps by 15%

Energy: After Wednesday's setback, the WTI oil price has climbed towards US\$ 75 per barrel again despite the still firm US dollar. Most of the US economic data surprised on the upside. The unexpectedly sharp decline of US inventories published by the US Department of Energy also supported the price. In the week of May 28, crude oil inventories declined by 1.9 million barrels compared to the previous week due to lower imports. Gasoline inventories even fell by 2.6 million barrels. This was interpreted as a sign that gasoline demand is picking up. In fact, US demand for gasoline increased compared to the previous week and was also higher than in the previous year. Yet, the recovery has no drive: In May, US gasoline demand was even slightly lower than in April with an average of 9.15 million barrels per day. In Cushing, inventories have almost reached record levels again. This led to a renewed spread widening. The price gap between the next two WTI contracts has reached once again US\$ 1.5. Furthermore, WTI quotes one US dollar below Brent Blend.

The US price for natural gas (Henry Hub) jumped by 6% to US\$ 4.7 per mmBtu yesterday. The trigger for this was a surprisingly low increase of the US natural gas inventories by 88 billion cubic feet. The surplus in inventories has thus declined slightly compared to the five-year average. Optimists might also consider themselves encouraged by the most recent fundamental data by the EIA: Thus, the sales volume of gas in the first quarter was 4.8% higher than in the previous year. Particularly industry demand has picked-up noticeably with a plus of 9%. The most recent economic data raise hopes regarding a continuation.

Precious metals: Precious metals prices all registered slight losses this morning. The price for gold fell to US\$ 1,203 per troy ounce. This decline in prices from an interim weekly high of US\$ 1,230 is to be attributed to a reduced risk aversion. The US labor market report, which will be published today, is expected to show a sizeable increase in employment. Optimism regarding the economy has induced speculative investors to close long positions. However, physical demand as well as demand by medium- and long-term investors persist as price-supporting components for demand. The world's biggest gold ETF, SPDR Gold, once again reported massive inflows of 21 tons yesterday. Perth Mint meanwhile reports a strong buying interest particularly from Europe; 69% of the coins sold in May were bought by European buyers. On the other hand, supply is declining. Gold mine production in South Africa decreased to 44 tons in the first quarter of 2010. It was thus 15% lower than in the previous quarter and 12.4% below the previous year's. These factors should impede a further price decrease. Silver, platinum and palladium were drawn into the downhill slide of base metals due to their industrial character and lost up to 3% of their intra-day highs yesterday.

CHART OF THE DAY: Concerns regarding China put pressure on metal prices



Source: Bloomberg, Commerzbank Corporates & Markets

US-inventories crude oil / products

28.5.	Weekly chg	Est.	Total.
Crude oil	-1.90	+0.0	363.2
-Cushing	+0.27	-	37.9
Gasoline	-2.65	-0.5	219.0
Distillates	+0.45	+0.2	153.0
Ref.utilis.(%)	-0.34	+0.3	87.5
Imports	-0.47	-	9.5
28.5.	Weekly chg	Est.	prior
Natural gas	88	95	2357

*in mbb, imports in mbb/day,
natural gas in bn cubic feet*

Source: DOE, Bloomberg

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Base metals: The downward trend regarding base metals is gaining momentum. The LME already fell by 6.7% this week. Worries regarding the future trend of demand in China strain the market. The Chinese stock market fell to a 13-months low today. Yet, our economists consider fears of a sharp economic slump in China to be exaggerated and expect instead a gradual slowdown of growth. Today's inventory data of the Shanghai metal exchange might at least calm down the copper market a little: According to that, copper inventories have fallen by a further 5000 metric tons and are thus 20% lower than end of April. On the other hand, inventories in aluminium and zinc have slightly increased.

Lead has lost even a good 10% during the course of the week. The order volume on the cash market is particularly low, which can mainly be attributed to a decline in demand from Europe. In addition, inventories at the LME, unlike copper, have strongly increased. However, traders report a tightening of lead scrap. Regarding the fact that a substantial portion of demand is covered by lead scrap this piece of news gains in importance. Furthermore, Chinese production is expected to decline substantially in case of a sustained low price level. As long as demand for lead remains weak, such news supporting the price should, however, only have a very limited impact on the price of lead.

Agriculturals: This week, the European Union granted export licences for 298 thousand metric tons of wheat. This is 40% less than a week ago and 18% less than the average of the past four weeks. Thus, hopes for improving prospects of European wheat exporters due to the weaker euro were dampened. Nevertheless, European suppliers seem to be gaining more and more market shares. Yesterday, the world's largest wheat importer, Egypt, announced the purchase of 120 thousand metric tons of wheat from Russia and 60 thousand tons from France with deliveries between July 1 and 10. In view of this news it is hardly astonishing that the US price for wheat fell to an 8-months low of US\$ 4.4 per bushel yesterday. This corresponds to a price of € 133 per metric ton, the price at which currently the front month future contract for European wheat is traded at LIFFE. Thus, the downward potential for CBOT wheat should be limited from now on. A further decline in prices cannot be excluded, however, should the weekly export figures to be published by the US Department of Agriculture today show that US wheat exporters are losing further ground due to the stronger US dollar. In the week of May 20, US wheat exports were 27% lower than the average of the preceding four weeks.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	ytd
Brent Blend	75.4	2.3%	1.5%	-12.3%	-4%
WTI	74.6	2.4%	-0.3%	-10.2%	-6%
Gasoline (95)	702.0	2.2%	1.9%	-12.5%	0%
Gasoil	638.5	0.2%	1.1%	-11.2%	1%
Diesel	649.0	0.3%	0.0%	-12.7%	-1%
Jet Fuel	689.0	-1.0%	0.7%	-11.7%	-2%
Gas Henry Hub	4.69	6.0%	9.1%	16.8%	-16%
Base metals ²⁾					
Aluminium	1955	-1.5%	-4.9%	-9.2%	-12%
Copper, LME	6525	-2.1%	-6.2%	-6.8%	-11%
Copper, SHFE (CNY)	52930	-1.7%	-5.0%	-8.7%	-11%
Lead	1636.25	-3.0%	-11.3%	-20.6%	-33%
Nickel	18675	-5.0%	-14.7%	-24.6%	0%
Tin	17675	0.1%	-3.1%	-2.4%	3%
Zinc	1745	-3.2%	-10.5%	-19.1%	-32%
Precious metals ³⁾					
Gold	1206.7	-1.4%	-0.9%	2.8%	10%
Gold (EUR)	991.9	-0.3%	-0.1%	1.0%	29%
Silver	18.0	-2.1%	-2.5%	0.4%	6%
Platinum	1544.0	-0.8%	-0.2%	-7.5%	5%
Palladium	451.0	-1.5%	-2.1%	-13.3%	10%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	138.8	0.4%	-3.8%	3.0%	4%
Wheat, CBOT	441.8	-0.2%	-5.5%	-11.5%	-18%
Corn	349.5	0.3%	-6.2%	-2.8%	-16%
Soybeans	955.0	2.4%	0.1%	-2.5%	-8%
Cotton	78.2	-0.2%	-3.7%	-1.6%	4%
Sugar	13.99	0.4%	-8.9%	-6.6%	-48%
Coffee Arabica	135.6	0.1%	1.4%	-2.0%	0%
Cocoa	3048.0	0.2%	5.0%	-5.3%	-7%

Inventories

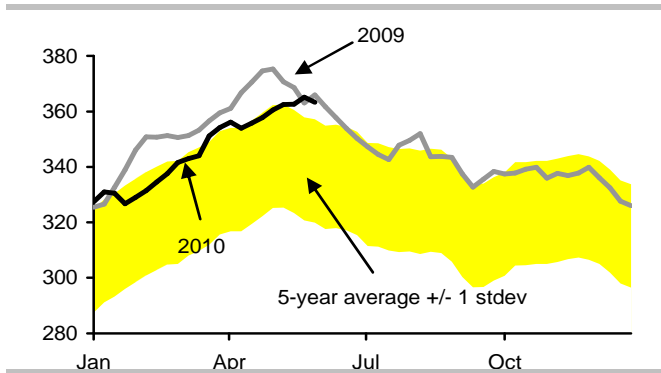
Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	363244	-	-0.5%	1.5%	-1%
Gasoline	218984		-1.2%	-2.1%	8%
Distillates	4334		3.7%	4.1%	7%
Jet fuel	152988		0.3%	0.8%	2%
Gas Henry Hub	2357		3.9%	23.3%	1%
Base metals**					
Aluminium LME	4541150	-0.2%	-0.6%	0.1%	7%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	494688		1.1%	16.3%	179%
Copper LME	474300	-0.2%	-1.0%	-5.0%	55%
COMEX	102087	0.1%	0.5%	0.9%	80%
Shanghai	157698		-6.0%	-16.1%	422%
Lead LME	192200	0.0%	1.3%	6.3%	138%
Nickel LME	136848	-0.4%	-1.3%	-5.8%	25%
Tin LME	20975	5.1%	2.8%	-0.8%	42%
Zinc LME	617950	-0.1%	-0.4%	11.8%	92%
Shanghai	295234		2.4%	15.2%	
Precious metals***					
Gold	10736	0.0%	0.0%	5.4%	23%
Silver	117345	-1.8%	-1.0%	2.1%	-3%
Platinum	133	-0.1%	-0.2%	4.2%	5%
Palladium	633	-0.1%	0.1%	-0.1%	56%
Currencies 3)					
EUR/USD	1.2162	-0.7%	-0.8%	-6.2%	-14%

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

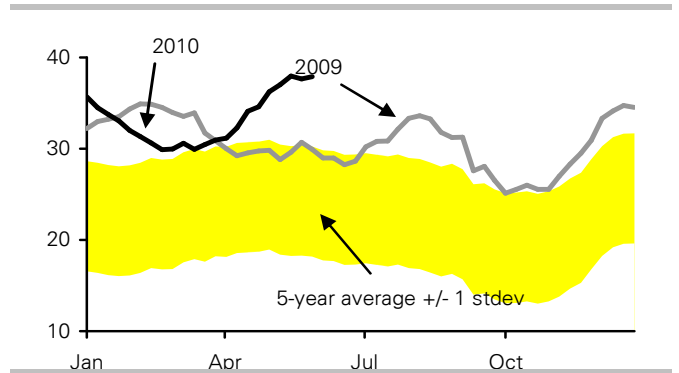
DOE data: US inventories of crude oil, oil products and natural gas

GRAPH 1: Crude oil inventories (in mbbbl)



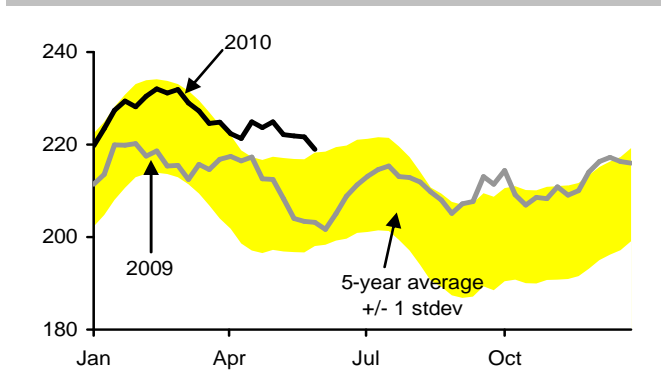
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Crude oil inventories at Cushing (in mbbbl)



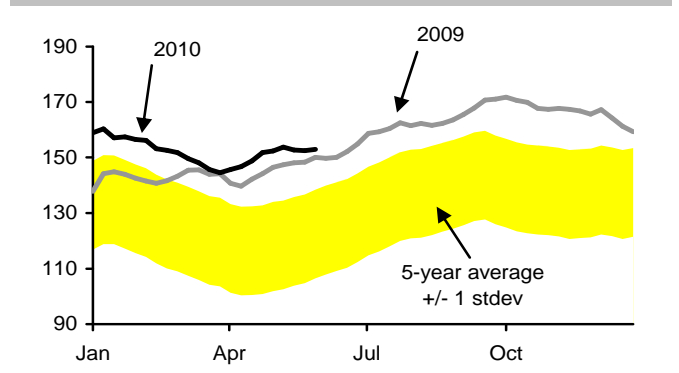
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Gasoline inventories (in mbbbl)



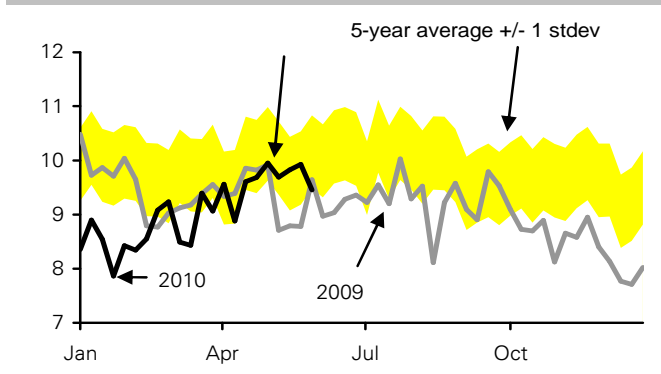
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Distillates inventories (in mbbbl)



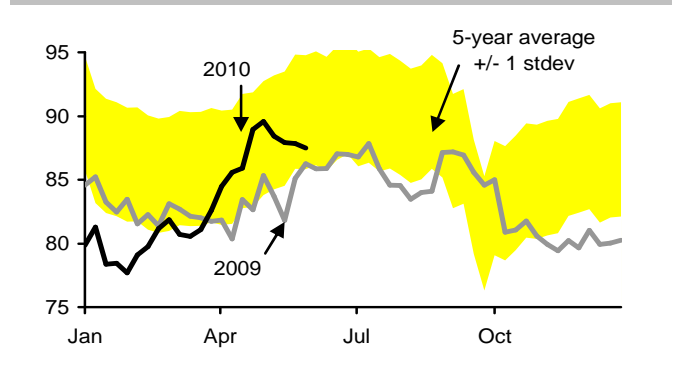
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Crude oil imports (in mbbbl/day)



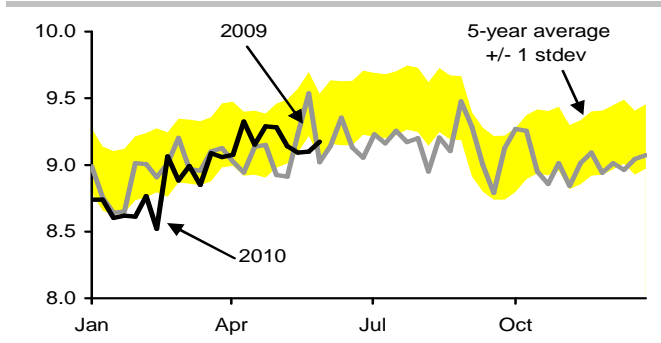
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Refinery utilization (in %)



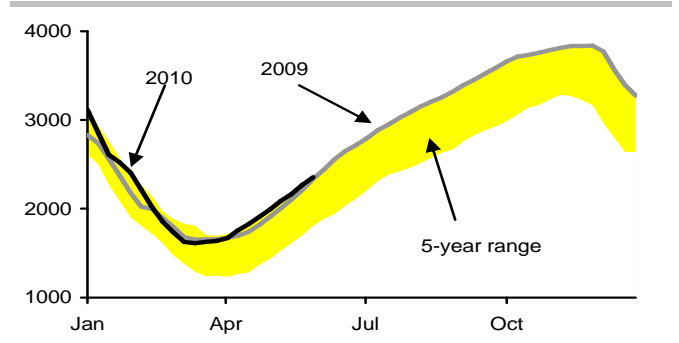
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Implied gasoline demand (in mbbbl/day)



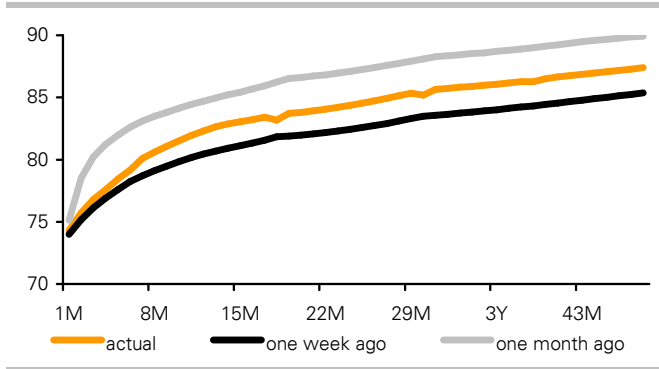
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Natural gas inventories (in bn cubic feet)



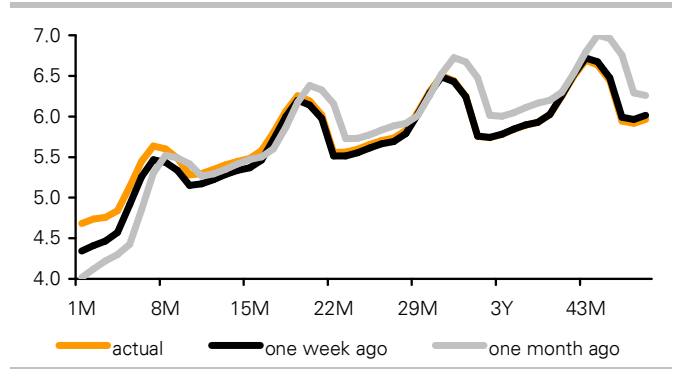
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH9: Forward curve oil market (WTI)



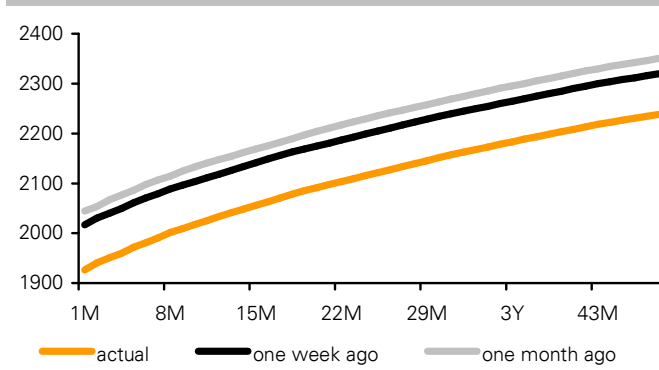
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve gas market (Henry Hub)



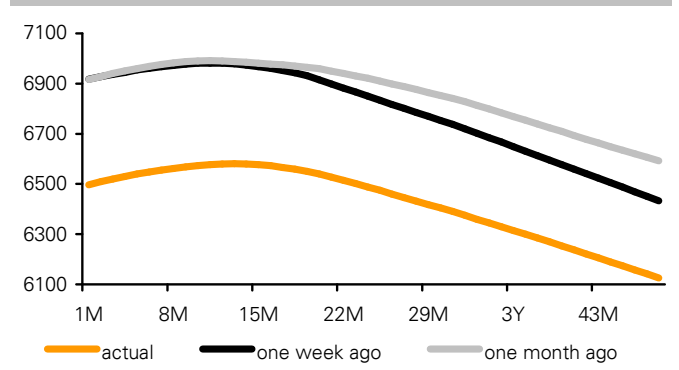
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve aluminium (LME)



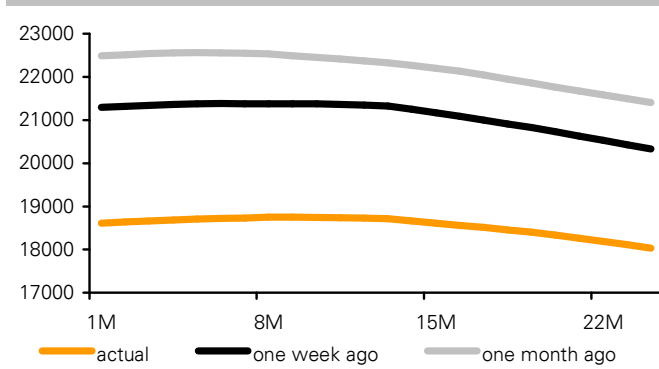
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve copper (LME)



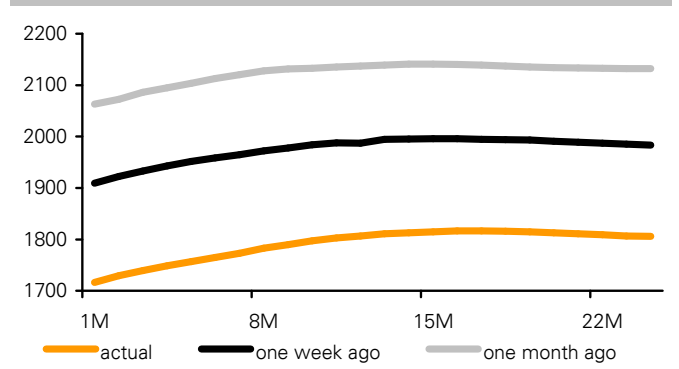
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve Nickel (LME)



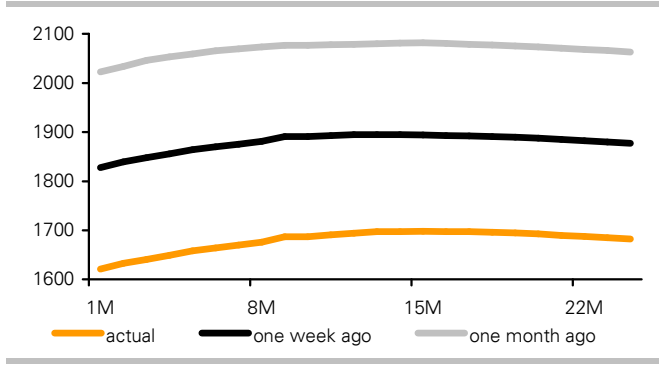
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve zinc (LME)



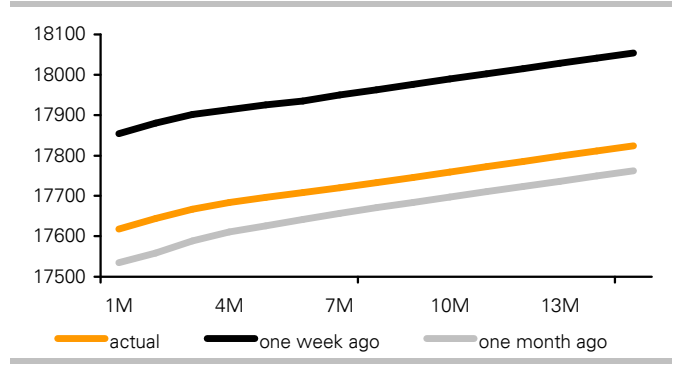
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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