

Commodities Daily

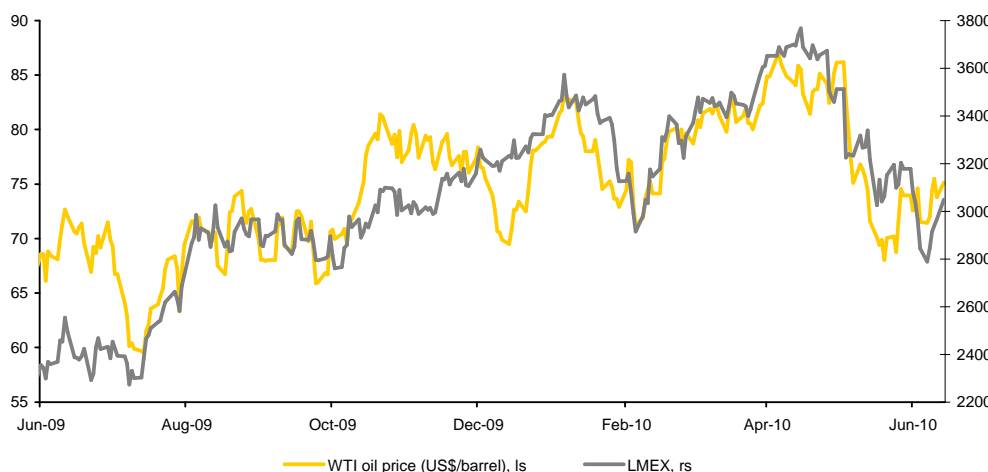
15 June 2010

Excess supply on the tin market should decline

Energy: WTI currently stands at \$75 a barrel, the same as Brent. The oil market thus appears to be relatively unimpressed by Moody's downgrade of Greece to junk status yesterday evening. The negative impact of such news on the market is evidently fading. On the other hand, reports of this kind are likely to prevent a further rally of oil prices. The American Petroleum Institute publishes its US inventory data for last week after close of trading today. Crude oil stocks are set to have fallen for the third week in a row. The expected reduction by 1.4 million barrels should compare, however, with stock-building of 800 thousand barrels in the case of distillates and 500 thousand barrels in the case of gasoline. This would mean merely a shift of warehouse components, like in the week before, because refineries are replenishing distillate stocks for the next heating season on the one hand and are increasing gasoline production in anticipation of rising gasoline demand on the other. Of course, there has been little sign of gasoline demand picking up in the USA so far. In the four weeks up to 4 June, gasoline demand was 1% lower on average, year-on-year, according to the EIA. US natural gas prices closed above the \$5 per mmBtu mark yesterday for the first time in nearly four months. As already said yesterday, the price rally is likely to have been attributable to the liquidation of short positions, a process that could continue for a while, as the rise in prices creates the risk of short positions entered above \$5 at the start of 2010 now also "drowning".

Precious metals: After yesterday's retreat, gold is still hovering around \$1,220 a troy ounce. The better-than-expected industrial production in the EU and the resulting stronger euro let gold prices fall below the €1,000 a troy ounce mark at one point. This should prove a short-lived trend, though. Moody's rating agency has downgraded the rating for Greek government bonds by four notches to junk status. At the same time, there are still concerns about the state of the Spanish banking sector. Yesterday, a report published by the San Francisco Fed stated that the first Federal funds rate hike would not come until the beginning of 2012. The Bank of Japan has decided on a lending mechanism today to promote industry, with a fixed interest rate of 0.1% up to March 2012. As no rate hike is to be expected from the ECB either in the foreseeable future, given the debt crisis, the zero-interest-rate policy of major central banks could possibly remain in place for much longer than previously thought. The very loose stance on monetary policy by the central banks will create inflation concerns, at least long term. Furthermore, the opportunity costs of holding gold remain low, which should additionally support the demand for gold. Platinum and palladium are profiting from lower risk aversion and positive economic data and are also being pulled along by rising base metal prices. Palladium has showed the strongest gains, at a good 2%, and is currently trading at \$458.5 a troy ounce.

CHART OF THE DAY: Correction of industrial commodity prices seems to be over



Source: LME, Bloomberg, Commerzbank Corporates & Markets

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Base metals: After a strong start to the week with price gains of up to 4%, metal prices are taking a breather in their upward movement this morning and have all retreated a little. The world's largest tin exporter, Indonesia, has reported another decline in its tin exports in May to 7,333 tons. According to Indonesia's Ministry of Trade, this is a slump of 7.5% month-on-month and 25% compared to last year. With 35,234 tons of tin exported in the first five months of this year, this is 16% less than a year ago, primarily due to a fall in local tin production. Efforts by the Indonesian government to reduce illegal production at numerous tin mines are clearly having a visible impact. The tin market showed a substantial oversupply last year, although this could decrease noticeably this year if production in Indonesia continues to fall. Tin prices should reap benefit from this.

Yesterday's reported discovery of mineral deposits in Afghanistan, potentially worth \$1 trillion US dollars, should not be overvalued. It usually takes several years to exploit new deposits and this will be even harder because of the country's precarious security situation. Furthermore, a local mining industry has to be developed first. Consequently, decades could pass before commodities can be produced on any significant scale.

Agriculturals: While corn and wheat prices have both gained around 4% in the past five days, soybean prices have showed only half that momentum. In the case of corn, the fact that the US administration recently raised its estimation of corn consumption for ethanol production to 4.7 billion bushels, a plus of 3.3% on the year before, certainly helped. That said, prices dropped after yesterday's publication of the weekly USDA crop progress report, which confirmed the good condition of corn plants in US growing regions. Wheat prices were boosted recently by reports of a 9% smaller area of summer wheat in Canada and by the wet conditions in major growing regions of the USA, where the crop has progressed at a slower pace than the long-term average so far. The state of US wheat plants compared to the week before is still good, though, and much better than a year ago. Furthermore, the condition of US soybean plants is much better than it was a year ago, despite a marginal downgrade. The strong crop outlook that this currently implies is causing prices to hover at their current level of around \$9.50 a bushel and has led to most speculative financial investors anticipating falling prices for the first time since autumn 2006, meaning net short positions. This strong fixation on the supply side is unlikely to last, in our view.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	1 year
Brent Blend	75.2	1.1%	3.9%	-2.6%	-4%
WTI	75.1	1.8%	3.9%	4.5%	-6%
Gasoline (95)	704.0	-0.9%	4.6%	-3.3%	0%
Gasoil	652.8	2.0%	3.0%	-2.8%	1%
Diesel	651.0	-2.7%	3.9%	-2.2%	1%
Jet Fuel	692.0	1.0%	3.1%	-2.1%	-1%
Gas Henry Hub	5.01	4.7%	5.0%	17.1%	-9%
Base metals ²⁾					
Aluminium	1994	2.5%	2.9%	-6.0%	-11%
Copper, LME	6660	2.8%	6.8%	-4.9%	-11%
Copper, SHFE (CNY)	51710	1.7%	2.8%	-8.2%	-13%
Lead	1700	2.7%	5.9%	-12.4%	-30%
Nickel	20300	3.9%	7.9%	-7.6%	8%
Tin	16950	2.4%	6.6%	-3.1%	0%
Zinc	1797	3.3%	2.4%	-13.6%	-31%
Precious metals ³⁾					
Gold	1221.3	-0.4%	-1.1%	-0.9%	11%
Gold (EUR)	999.3	-1.3%	2.9%	-0.2%	-24%
Silver	18.2	-0.1%	0.2%	-5.2%	9%
Platinum	1559.5	1.2%	1.7%	-9.5%	6%
Palladium	458.0	2.1%	3.5%	-13.0%	12%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	138.3	1.3%	-0.7%	-1.4%	4%
Wheat, CBOT	451.5	2.4%	3.5%	-3.5%	-17%
Corn	353.8	1.2%	4.2%	-1.5%	-15%
Soybeans	951.5	0.6%	2.2%	0.3%	-9%
Cotton	82.6	1.3%	5.3%	2.2%	9%
Sugar	16.05	1.4%	12.0%	13.6%	-40%
Coffee Arabica	151.0	4.1%	13.4%	12.4%	11%
Cocoa	2953.0	1.2%	0.9%	5.0%	-10%

Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	361415	-	-0.5%	0.2%	0%
Gasoline	218976		0.0%	-2.7%	9%
Distillates	4379		1.0%	5.5%	11%
Jet fuel	154824		1.2%	1.6%	3%
Gas Henry Hub	2456		4.2%	23.1%	1%
Base metals**					
Aluminium LME	4486225	-0.2%	-0.9%	0.2%	5%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	498068		0.4%	14.9%	224%
Copper LME	463175	-0.4%	-1.6%	-4.3%	60%
COMEX	101925	-0.2%	-0.2%	0.7%	71%
Shanghai	139332		-8.8%	-23.1%	130%
Lead LME	193000	0.1%	0.2%	4.3%	135%
Nickel LME	133320	-0.4%	-1.5%	-6.2%	22%
Tin LME	20725	-0.9%	-2.4%	-1.2%	29%
Zinc LME	617350	0.0%	0.1%	8.4%	87%
Shanghai	290926		-1.5%	10.7%	
Precious metals***					
Gold	10793	0.7%	0.0%	3.3%	24%
Silver	118150	-0.4%	-0.2%	1.6%	-2%
Platinum	133	0.0%	-0.1%	7.4%	5%
Palladium	630	0.0%	-0.2%	-0.5%	52%

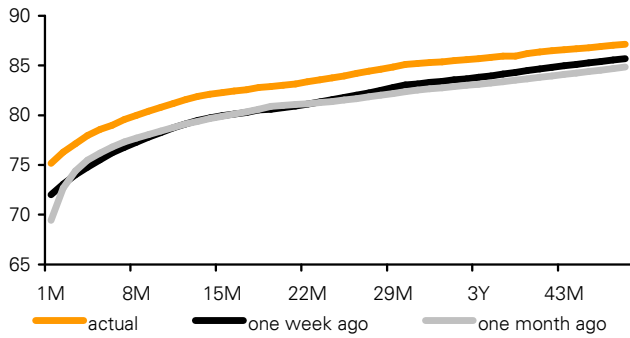
Currencies 3)

EUR/USD	1.2221	0.0%	1.7%	-1.7%	-12%
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Source: Bloomberg, Commerzbank Corporates & Markets

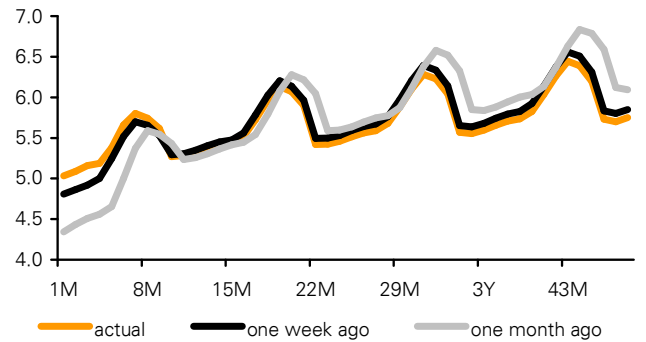
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
 * '000 barrel, ** tons, *** '000 ounces

CHART1: Forward curve oil market (WTI)



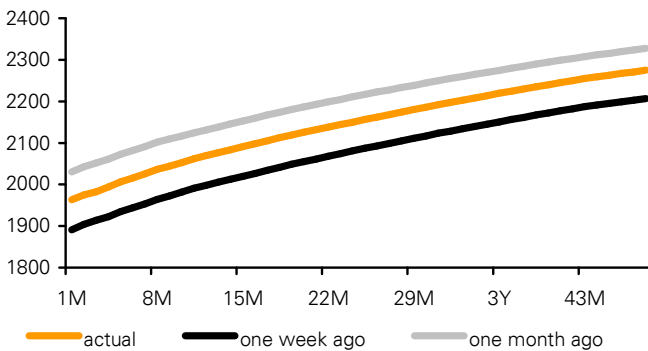
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

CHART 2: Forward curve gas market (Henry Hub)



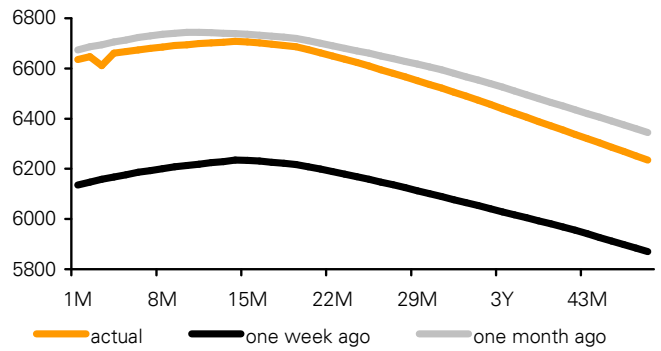
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

CHART 3: Forward curve aluminium (LME)



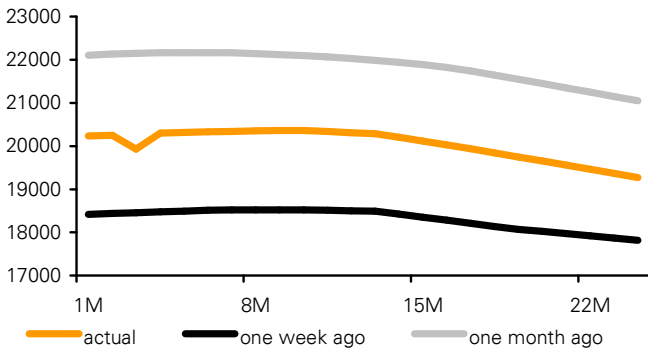
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 4: Forward curve copper (LME)



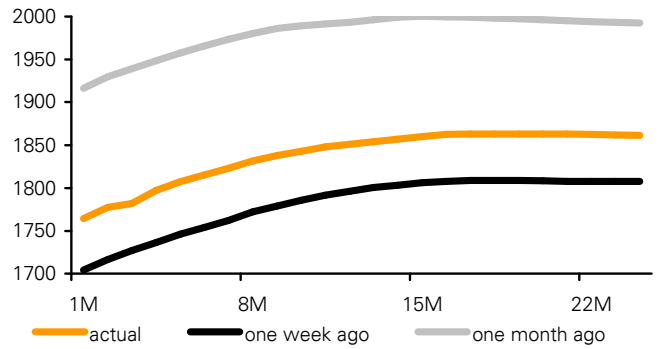
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 5: Forward curve Nickel (LME)



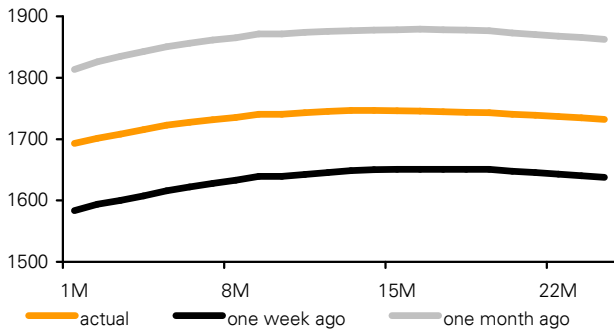
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 6: Forward curve zinc (LME)



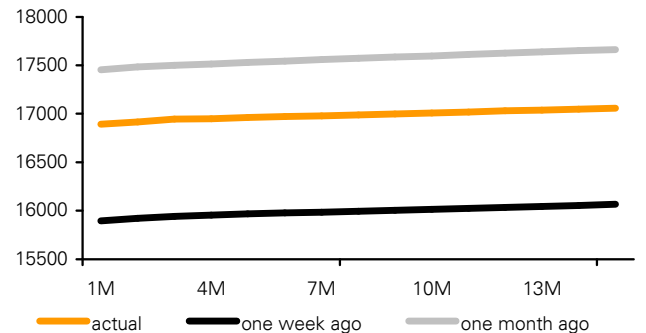
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART7: Forward curve lead (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART8: Forward curve tin (LME)



Source: LME; Bloomberg, Commerzbank Corporates & Markets

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