Commodities Daily

18 June 2010

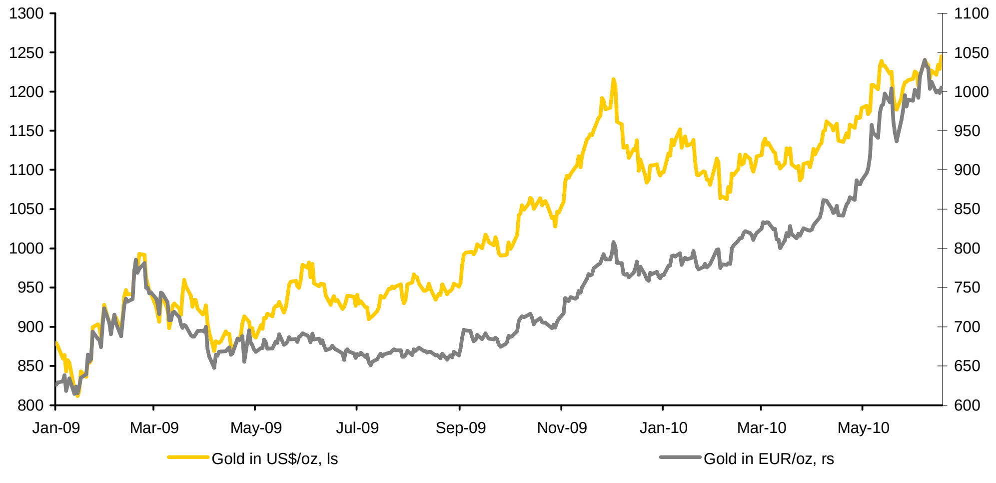
Diverging price movements on the oil market

Energy: The oil market moved in different directions yesterday. While the front-month WTI futures contract dropped to $77 a barrel and is still under pressure this morning, the Brent contract has risen to $79 a barrel. There are essentially two reasons for these diverging price movements: Firstly, both contracts have different expiration dates. WTI is still trading under the July contract, while Brent is already trading under the August contract after rollover at mid week. If we compare the August contracts for both oil types, the price difference is much smaller. Secondly, the July contract is also being affected by high US stocks at Cushing. According to the US Department of Energy, stocks here increased by 200 thousand barrels last week and are now close to mid-May record, at 37.6 million barrels. That said, energy data provider Genscape reported a decline of 700 thousand barrels in the week ending 15 June, compared to the record level posted the week before. Stocks at Cushing have risen by a good 30% in the past three months. The front-month WTI futures contract should remain distorted to the downside up to contract rollover on 22 June.

The price of US natural gas climbed yesterday by 3.6% to $5.16 per mmBtu. The rise in US natural gas inventories by 87 billion cubic feet was slightly short of expectations, which presumably led to a further reduction of net short positions and is thus supporting prices. The CFTC publishes its new data on market positioning after market close today.

Precious metals: Gold made significant gains yesterday and is meanwhile trading at $1,251 a troy ounce, which is only a dollar less than the all-time high reached ten days ago. Based on closing prices, a new record was hit, at $1,245. In euros, gold prices maintained the psychologically important mark of €1,000, despite the much firmer euro. The decision of EU heads of state and government to release the results of the so-called stress tests for banks has unsettled market players and ultimately helped to drive prices upwards. The better-than-expected auction of Spanish government bonds clearly has not had a calming effect, as is shown, too, by the fact that the world's largest Gold ETF, SPDR Gold Trust, recorded inflows of 2 tons yesterday, the first for over a week. Furthermore, rumours are spreading about further gold buying by China's central bank. The People's Bank of China (PBoC) would like to diversify its currency reserves, which mainly consist of US dollars at present. Gold reserves are at a very low level, in any case, in relation to foreign currency reserves. The price of silver rose alongside gold yesterday to $18.9 a troy ounce, the highest level for a month. At 67, the gold/silver coefficient is still at a high level. We still see upside potential for silver.

CHART OF THE DAY: New record high for gold in US dollars on closing prices



Source: 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: In the wake of weaker US economic data, metal prices were under pressure yesterday and retreated across the board. Zinc and copper suffered the heaviest losses, at 3.5% and 3.1% respectively. Unemployment figures and the Philadelphia Fed Index on manufacturing were the main dampeners of sentiment. Following recent reports of oversupply on the copper, zinc and lead markets, the International Nickel Study Group (INSG) has now reported excess supply on the nickel market, where supply topped demand by 2,600 tons in April for the first time this year. However, with the rapid fall of nickel prices since the end of April, some capacities have been reduced and supply deficits could be reported again in the coming months.

Baosteel, the second largest Chinese steel manufacturer, has accepted a further 23% price increase for iron ore by BHP Billiton and Rio Tinto. Baosteel will therefore pay about $147 per ton of iron ore in the next three months. BHP Billiton and Rio Tinto had already agreed on a price increase of the same scale with Japanese steel producers. Further hikes should now be difficult to enforce, though, as the new contract price is meanwhile slightly higher than the current spot price. Consequently, we could see prices falling already in the fourth quarter.

Agriculturals: European wheat traded on the LIFFE in Paris has risen by 2.4% to €140 a ton in the past few days. Rising export demand is supporting prices. Last week, the EU granted export licences for 628 thousand tons of wheat, which is 60% more than in the week before and the second highest level since the start of the European harvest season last July. The weaker euro appears to be having a positive effect on EU wheat exports. US wheat prices surged by as much as 5% last week to $4.6 a bushel. The latest export data from the USDA also suggests demand is rising, reporting that 2.06 million tons of wheat had been exported since the start of June. That said, this is largely because crop year 2010/11 has already begun in the USA. Exports often slacken off just before the end of a crop year and pick up again at the start of the new crop year, presumably because export orders are deferred from one crop year to the next. Consequently, the rise in US wheat exports in the past two weeks could be a little exaggerated. Last week, US corn exports climbed by 7% to 1.09 million tons and are thus 21% above the average of the past four weeks. No buying has been reported from China. In the case of soybeans, a rare negative balance of 136.3 thousand tons has been posted, as more export orders were cancelled than new orders were placed.

Prices

Energy [1]	current	1 day	1 week	1 month	1 year
Brent Blend	78.7	0.7%	5.6%	5.5%	1%
WTI	76.8	-1.1%	3.5%	10.0%	-4%
Gasoline (95)	714.0	0.0%	1.6%	1.7%	2%
Gasoil	684.3	3.2%	7.1%	7.3%	8%
Diesel	676.5	2.5%	3.7%	6.7%	6%
Jet Fuel	716.0	1.1%	3.6%	5.1%	3%
Gas Henry Hub	5.16	3.7%	7.3%	18.2%	-8%
Base metals [2]					
Aluminium	1966	-1.9%	0.2%	-5.1%	-13%
Copper, LME	6446	-3.1%	-1.0%	-4.2%	-13%
Copper, SHFE (CNY)	51700	-1.2%	4.0%	-2.4%	-13%
Lead	1745	0.2%	4.5%	-4.9%	-28%
Nickel	19800	-1.2%	1.0%	-10.9%	7%
Tin	17745	-0.3%	6.7%	0.9%	4%
Zinc	1765	-3.5%	-0.5%	-10.7%	-32%
Precious metals [3]					
Gold	1245.2	1.3%	1.4%	1.6%	13%
Gold (EUR)	1005.1	0.7%	0.9%	0.0%	-24%
Silver	18.7	1.4%	2.7%	-1.6%	11%
Platinum	1577.5	0.5%	2.1%	-6.0%	7%
Palladium	481.8	1.7%	6.8%	-4.0%	17%
Agriculturals [1]					
Wheat, LIFFE (EUR)	140.0	0.0%	2.4%	-0.9%	5%
Wheat, CBOT	462.8	0.3%	4.6%	-1.4%	-15%
Corn	357.5	0.4%	2.1%	-0.8%	-14%
Soybeans	952.0	-0.6%	0.9%	1.6%	-8%
Cotton	80.8	-1.2%	-1.2%	-2.0%	7%
Sugar	15.79	-3.0%	2.8%	13.7%	-41%
Coffee Arabica	156.4	-1.5%	14.1%	16.2%	15%
Cocoa	2914.0	0.1%	-0.2%	3.6%	-11%

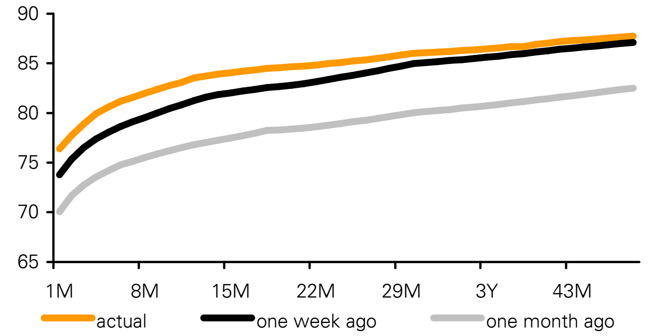
Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	363105	-	0.5%	0.2%	2%
Gasoline	218340		-0.3%	-1.7%	6%
Distillates	4282		-2.2%	-0.3%	9%
Jet fuel	156622		1.2%	1.8%	4%
Gas Henry Hub	2543		3.5%	21.7%	-1%
Base metals**					
Aluminium LME	4481200	-0.1%	-0.5%	0.2%	3%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	498068		0.4%	14.9%	224%
Copper LME	460175	0.2%	-1.3%	-5.0%	63%
COMEX	101925	0.0%	-0.2%	0.7%	71%
Shanghai	139332		-8.8%	-23.1%	130%
Lead LME	190850	-0.4%	-0.8%	3.0%	127%
Nickel LME	131052	-0.5%	-2.7%	-7.0%	21%
Tin LME	20340	-0.4%	-3.9%	-2.5%	25%
Zinc LME	617175	0.0%	0.0%	8.6%	83%
Shanghai	290926		-1.5%	10.7%	
Precious metals ***					
Gold	10795	0.0%	0.7%	3.1%	24%
Silver	118295	-1.1%	0.3%	2.1%	0%
Platinum	133	0.0%	0.0%	7.7%	5%
Palladium	630	-0.1%	0.1%	-0.4%	64%
Currencies 3)					
EUR/USD	1.2389	0.6%	2.3%	1.6%	-11%

Source: Bloomberg, Commerzbank Corporates & Markets

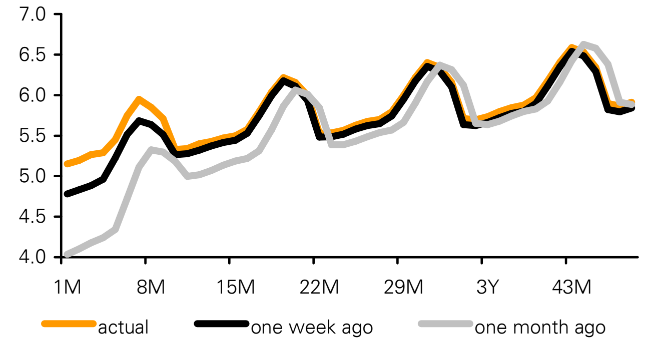
Percentage change on previous period
[1] 1 month forward, [2] 3 months forward, [3] spot
* '000 barrel, ** tons,*** '000 ounces

GRAPH1: **Forward curve oil market (WTI)**



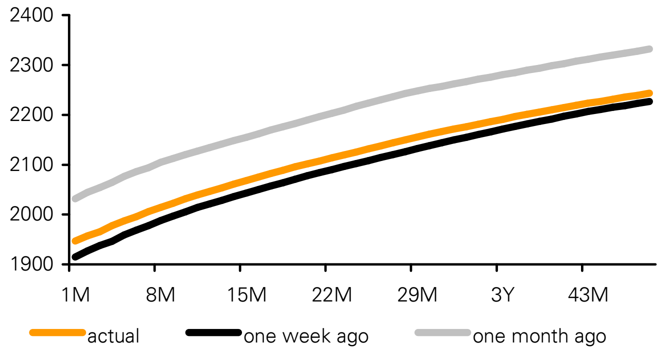
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: **Forward curve gas market (Henry Hub)**



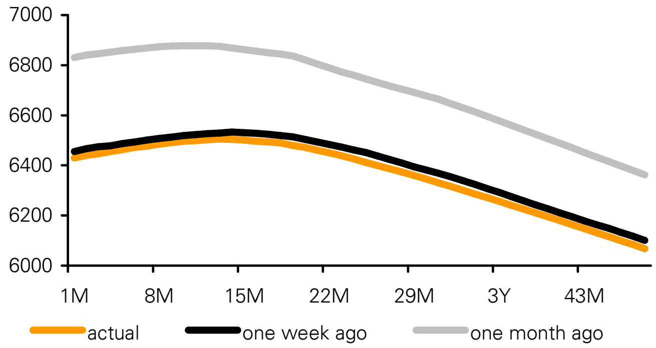
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: **Forward curve aluminium (LME)**



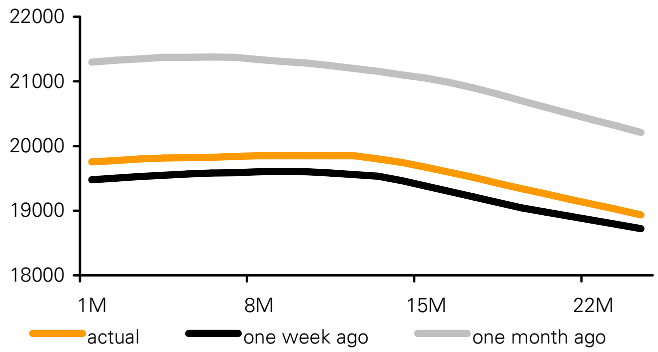
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: **Forward curve copper (LME)**



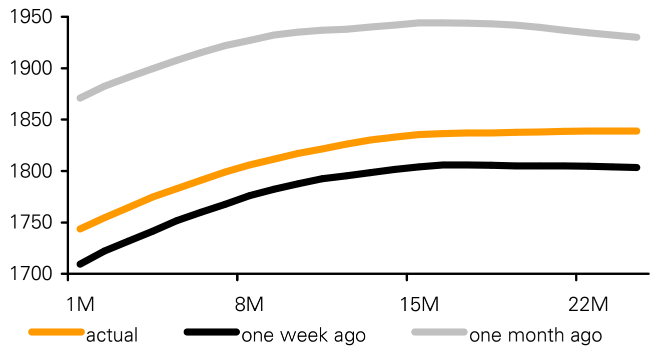
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: **Forward curve Nickel (LME)**



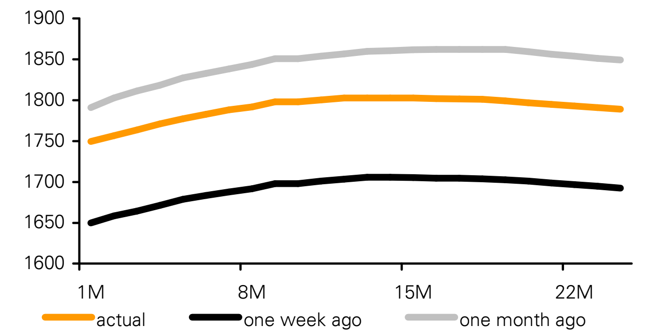
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: **Forward curve zinc (LME)**



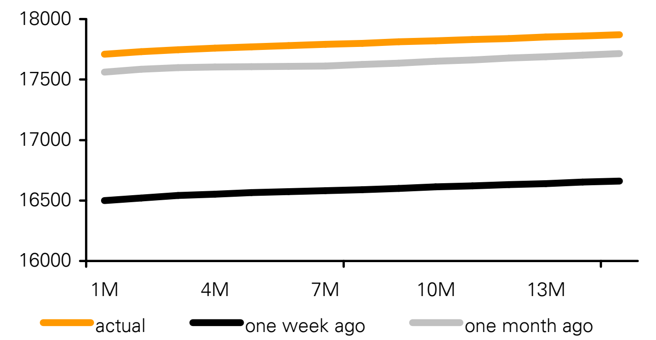
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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Commerzbank Corporates & Markets

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	2 World Financial Center, 31st floor New York, NY 10281-1050
	Tel: +44 207 623 8000	Tel: +1 212 703 4000 Fax: +1 212 703 4201