Commodities Daily

23 June 2010

Oil prices sustain a high level

Energy: The price of WTI has settled at around $77 a barrel, against the backdrop of rather negative news in general. Inventory data from the American Petroleum Institute (API) after market close yesterday weighed on prices, revealing that stocks had risen at a surprisingly sharp rate in the week ending 18 June. Crude oil stocks rose by 3.7 million barrels on the back of higher imports. Furthermore, gasoline stocks, already at plentiful levels for the season, increased by 810 thousand barrels. The figures published by MasterCard on gasoline demand were essentially in line with this, implying that gasoline purchases had risen to 9.31 million barrels a day in the week ending 18 June, although this rise of 0.4% week-on-week was rather meagre. The API figures suggest that the US Department of Energy's "official" inventory data due out this afternoon are more likely to bring a negative surprise. So far, the market has anticipated a fall in crude oil inventories of 800 thousand barrels and a slight fall of gasoline inventories.

On the surface, the block of the six-month moratorium of deepwater drilling in the Gulf of Mexico suggests lower prices. A federal court has declared the ban invalid on grounds of insufficient justification. That said, oil companies are unlikely to quickly resume deepwater drilling in our view; the starting-up costs are high and the US administration has promptly filed an appeal against the ruling.

Precious metals: Gold is still hovering around the $1,240 a troy ounce mark. Denominated in euros, the price continues to top the psychologically important mark of €1,000 a troy ounce. This slightly lower level than its all-time high is evidently attracting new investors to the gold market. The largest publicly listed gold fund, SPDR Gold Trust, reported inflows again yesterday. Its holdings rose by 5.2 tons to a new record level of over 1,313 tons, after barely any movements had been observed in the past twelve days. This shows that even slightly dips in prices are seen as buying opportunities. At the same time, it is clear that investors still have a high need for safety and gold should remain in demand as a "safe haven". The US Federal Reserve will announce its decision on interest rates this evening. While this should not bring any surprises in itself, the accompanying statement by the US central bank is eagerly awaited. Should interest rates be kept at a low level long term, the US dollar could come under pressure and this could generally support gold prices. Silver has followed gold's price movements in the last few days on a slightly more pronounced scale again. However, with gains of almost 12% since the start of the year, it still lags behind gold. We see catch-up potential for silver.

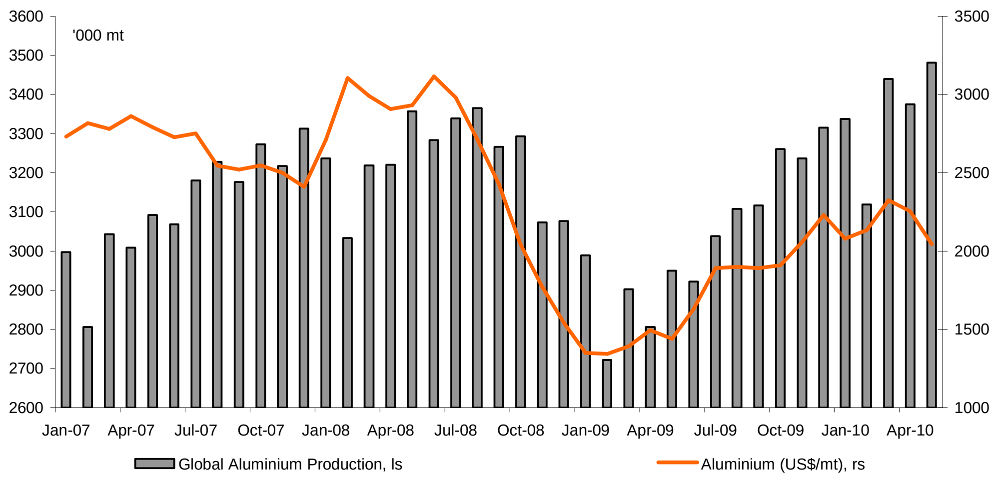
US-inventories crude oil /products

	API	DOE	
	18.6.	Survey	11.6.
Crude oil	+3.69	-0.8	+1.69
Gasoline	+0.81	-0.2	-0.64
Distillates	+1.08	+1.5	+1.80
Utiliz. (%)	+2.10	+0.3	-1.20
Imports	1.28	-	+0.16
Cushing	+0.39	-	0.19

Weekly change in mm barrels, imports in mbpd

Source: API, DOE, Bloomberg

CHART OF THE DAY: Global aluminium production at record high



Source: International Aluminium Institute, Bloomberg, Commerzbank Corporates & Markets

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Base metals: According to the International Aluminium Institute (IAI), global aluminium production rose again in May by a good 3%, month-on-month, to a new record level of 3.48 million tons. This means that 16.75 million tons of aluminium was manufactured worldwide in the first five months of this year, a good 14% more than in the same period last year. China was the biggest contributor again, producing a record 1.42 million tons of aluminium. Higher electricity costs in China were partly compensated by lower raw material costs, such as for alumina. Consequently, China looks set to be a net exporter of aluminium again in the months ahead and additionally boost the supply on an already saturated global market. In April already, the country had exported more aluminium than it had imported for the first time since the end of 2008. Even so, the Japan Aluminium Association estimates that a significant supply deficit could emerge on the global aluminium market by the end of the next decade. Global demand, driven by China, is expected to virtually double to 74 million tons by 2020. Given rising production costs, supply will not be able to keep up with demand. This should support aluminium prices in the medium to long term, though prices are likely to remain under pressure in the short term.

Agriculturals: After rallying in the second half of May, the price of cocoa in New York slumped in June. Only in the past few days has it picked up again – by 2.5% yesterday to $3,032 a ton – and has taken the $3,000 a ton hurdle. This was due to the weaker dollar and concerns about supply in Ivory Coast, where wet weather threatens to cause a faster spread of plant disease. The upside momentum has thus been strengthened by technical factors.

After wheat prices fell two weeks ago to a level just under that of last September, prices have since advanced by over 7% and topped the $4.60 a bushel mark. The background was fears that too wet weather conditions in Canada, a major exporter, could reduce the volume of the summer plantation and also have a lasting negative effect on the quality on the young plants. The week before, the Canadian Wheat Board had reported that the growing area for wheat could be 18% smaller than a year ago and at its lowest level since 1971. Even so, wheat prices have retreated a little recently as the focus has now turned to the US crop again, which is meanwhile progressing swiftly under drier conditions. Scarcity is therefore still not an issue given the ample supply on the global wheat market.

Prices

Energy [1]	current	1 day	1 week	1 month	ytd
Brent Blend	78.0	-1.0%	-0.1%	8.9%	0%
WTI	77.9	-0.8%	0.1%	11.0%	-2%
Gasoline (95)	710.5	-1.3%	-1.3%	6.8%	1%
Gasoil	682.5	-1.1%	2.2%	10.9%	7%
Diesel	697.0	-1.4%	-0.8%	10.0%	5%
Jet Fuel	739.0	-1.3%	-0.3%	10.2%	4%
Gas Henry Hub	4.76	-2.4%	-4.5%	17.8%	-15%
Base metals [2]					
Aluminium	1959	-0.1%	-2.4%	-4.8%	-12%
Copper, LME	6610	0.1%	-1.1%	-3.9%	-11%
Copper, SHFE (CNY)	51710				-10%
Lead	1819	-0.3%	3.4%	0.4%	-25%
Nickel	19650	-1.0%	-1.7%	-7.7%	6%
Tin	18150	1.4%	2.0%	3.1%	7%
Zinc	1794	1.1%	-0.8%	-4.1%	-29%
Precious metals [3]					
Gold	1240.1	0.5%	0.9%	5.3%	13%
Gold (EUR)	1010.5	-0.1%	-1.1%	-0.5%	-24%
Silver	18.8	0.5%	1.9%	6.6%	11%
Platinum	1584.0	-0.3%	0.6%	4.8%	8%
Palladium	484.0	-1.8%	2.0%	10.6%	18%
Agriculturals [1]					
Wheat, LIFFE (EUR)	139.8	-0.9%	0.7%	-3.6%	5%
Wheat, CBOT	460.8	-0.3%	-0.5%	-2.8%	-15%
Corn	351.5	-1.0%	-1.5%	-4.9%	-15%
Soybeans	965.5	0.2%	0.7%	2.5%	-7%
Cotton	82.5	0.4%	0.9%	-0.5%	9%
Sugar	16.21	0.2%	0.2%	3.6%	-40%
Coffee Arabica	159.1	1.6%	-0.2%	20.2%	17%
Cocoa	3032.0	2.5%	3.4%	4.7%	-8%

Inventories

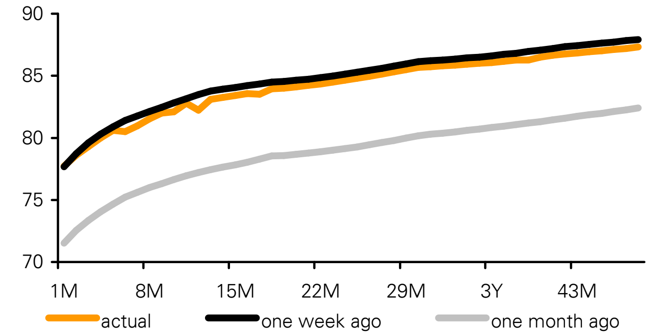
Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	363105	-	0.5%	0.2%	2%
Gasoline	218340		-0.3%	-1.7%	6%
Distillates	4282		-2.2%	-0.3%	9%
Jet fuel	156622		1.2%	1.8%	4%
Gas Henry Hub	2543		3.5%	21.7%	-1%
Base metals**					
Aluminium LME	4457350	-0.2%	-0.9%	-2.8%	2%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	498008		0.0%	4.1%	201%
Copper LME	456850	0.0%	-1.0%	-4.8%	65%
COMEX	101925	0.0%	0.0%	0.7%	69%
Shanghai	135944		-2.4%	-21.5%	98%
Lead LME	188900	-0.3%	-1.9%	1.2%	119%
Nickel LME	128178	-0.5%	-3.0%	-8.1%	19%
Tin LME	19795	-1.0%	-3.2%	-5.9%	15%
Zinc LME	617900	0.0%	0.2%	9.0%	82%
Shanghai	267740		-8.0%	-6.5%	
Precious metals ***					
Gold	10857	0.0%	0.6%	3.0%	24%
Silver	115570	-1.4%	-2.7%	-0.9%	-2%
Platinum	133	0.0%	0.0%	-0.3%	6%
Palladium	630	0.0%	0.1%	-0.3%	54%

Currencies 3)					
EUR/USD	1.2271	-0.3%	-0.3%	-0.8%	-13%

Source: Bloomberg, Commerzbank Corporates & Markets

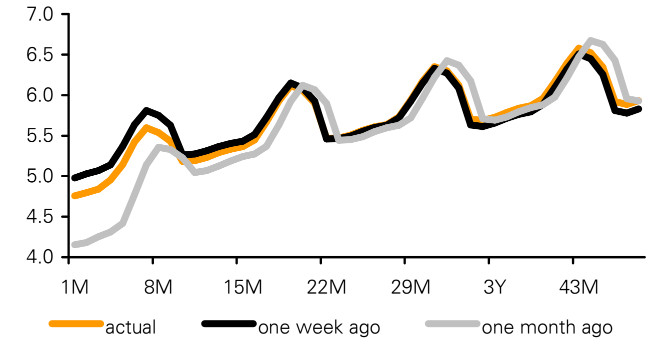
Percentage change on previous period
[1] 1 month forward, [2] 3 months forward, [3] spot
* '000 barrel, ** tons,*** '000 ounces

GRAPH 1: **Forward curve oil market (WTI)**



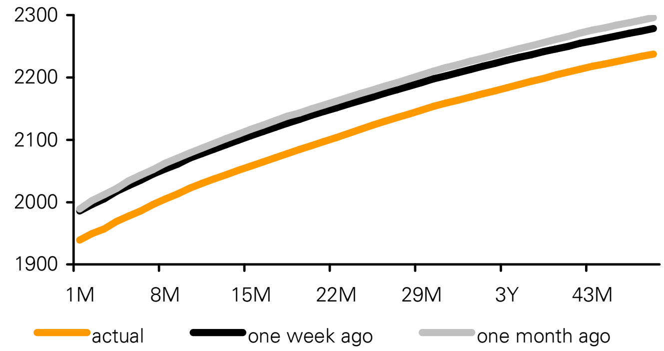
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



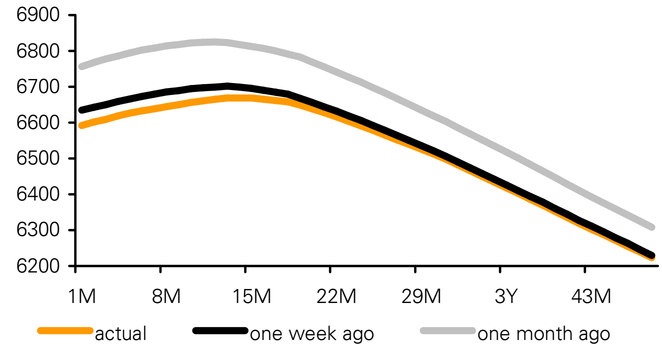
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

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



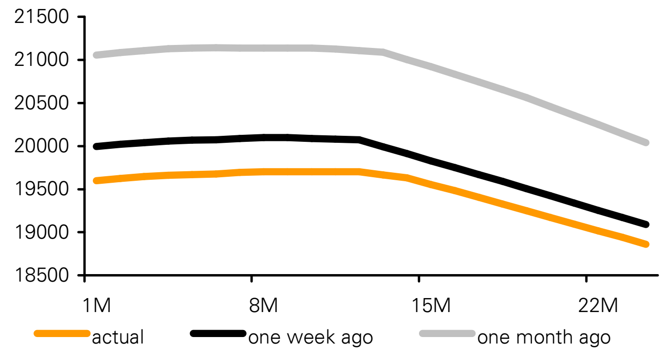
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



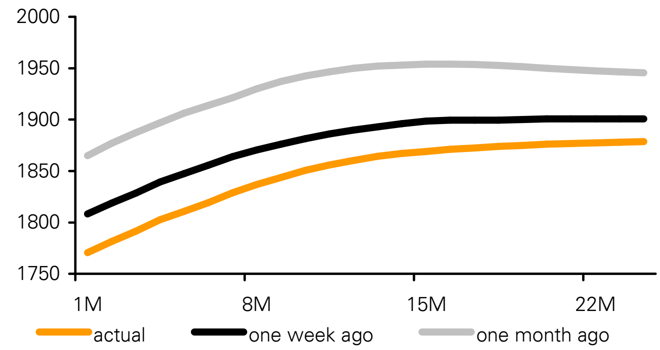
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



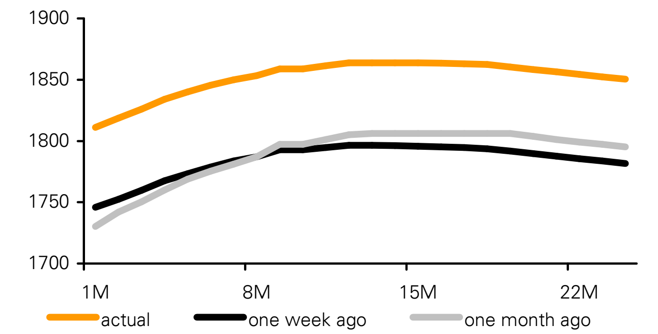
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



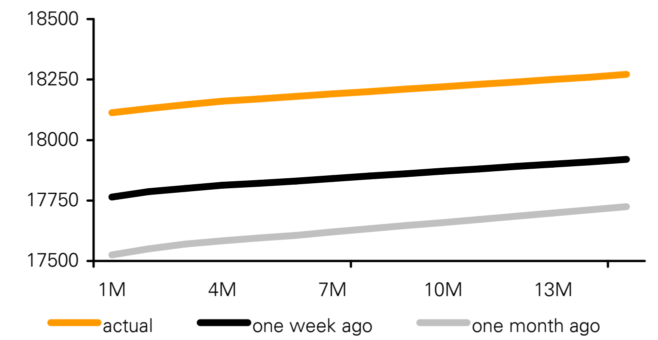
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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