

# Commodities Daily

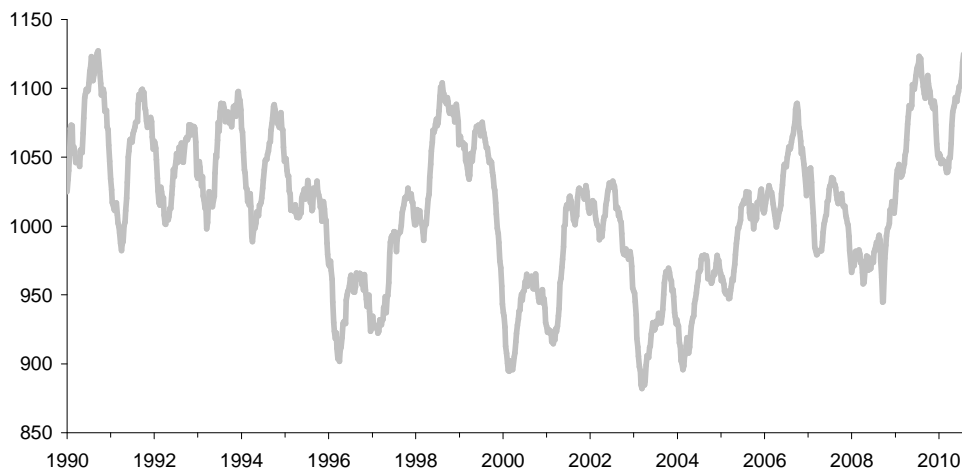
5 August 2010

## US crude oil and products stocks near record high

**Energy:** Many market participants currently ask themselves what the reason for the most recent strong oil price increase really was. Expectations of an early constriction on the oil market are frequently used as an explanation. However, this cannot stand up against a closer view. Yesterday's announcement of the US Department of Energy, DOE, regarding US inventories clearly proves this. For, according to the DOE report, the commercial inventories of crude oil and oil products are meanwhile near the all-time high of September 1990. Inventories are 2.2 million barrels respectively 0.2% away from the absolute high almost 20 years ago. When taking the inventories for ethanol of just under 20 million barrels into account, which assumes an increasingly important role in the US energy mix, the high would already be exceeded. Another proof for the fact that expectations of a physical constriction in the future are not responsible for the current strength of the oil price is the flattening of the forward curve for crude oil. The difference between the short- and long-term contracts has strongly declined recently, which is inconsistent with the expectation of a future constriction. The contango for WTI crude oil should be especially strong, because inventories in Cushing, the location of delivery and trading of WTI, are just 109 thousand barrels respectively 0.3% away from the record after their most recent increase. At the time of the all-time high in May, the difference between the two contracts to expire next was just under US\$ 4, now it is merely US\$ 0.40 per barrel. Thus, it is primarily the untypical rise in prices at the front end of the forward curve, which we are currently observing and which cannot be explained from a fundamental point of view. We think that this phenomenon is caused by speculative investors who are currently investing increasingly in the oil market, due to a weaker US dollar and a reduced risk aversion, but mainly due to technical factors. This should be reflected in tomorrow's CFTC figures.

**Precious metals:** Yesterday, the gold price once again tried to get over the psychologically important mark of US\$ 1,200 per troy ounce, yet this attempt was thwarted by a stronger US dollar. This morning, it quotes slightly below this mark. In euro terms, on the other hand, the gold price easily jumped over the level of € 900 per troy ounce. Meanwhile, financial investors continued to be very reluctant. Thus, the fund provider ETF Securities reported the highest outflows from their gold ETFs in nine months last week with US\$ 285 million. The worldwide biggest gold ETF, SPDR Gold Trust, also recorded marginal outflows again yesterday. This afternoon, the ECB will announce its interest rate decision. It is generally assumed that the key interest rate will remain at 1%. Continuously low interest rates reduce the opportunity costs for the holding of gold and are thus a point in favor of a rising investment demand and an increasing gold price in the next weeks and months.

### CHART OF THE DAY: US inventories of crude oil and oil products (in million barrels)



Source: DOE, Bloomberg, Commerzbank Corporates &amp; Markets

### US-inventories crude oil / products

30.7.	Weekly chg	Est.	Total.
Crude oil	-2.78	-1.7	358.0
-Cushing	+0.67	-	37.8
Gasoline	+0.73	-1.0	223.0
Distillates	+2.17	+1.0	169.7
Ref.utilis.(%)	+0.60	-0.5	91.2
Imports	-1.52	-	9.6
	5y average	Est.	prior
Natural gas	48	31	28

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

Source: DOE, Bloomberg

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**Base metals:** The International Copper Study Group (ICSG) reported a preliminary excess supply of 179 thousand metric tons for the global copper market for the last year in its recently published 2010 statistical yearbook. The excess supply increased by 7.2% compared to the previous year. The increase in supply exceeded that of demand by approximately one percentage point. However, the ICSG shows a clearly lower supply surplus as, for instance, the World Bureau of Metal Statistics (WBMS). WBMS published an excess supply of 283 thousand metric tons for 2009. The difference between the forecasts can be explained with the fact that WBMS estimated a clearly higher production while demand was assessed by both at almost the same level. In the course of the increased copper prices, production in the current year should be further expanded, particularly in emergent production countries such as Zambia. There, copper production rose by 16% to 393 thousand metric tons in the first half year of 2010 compared to the previous year.

The supply deficit on the global nickel market, which was forecast for this year by some independent research institutes and nickel producers, might not materialize. After Vale recently agreed to a new labor agreement with its Canadian employees, production facilities shall be utilized to 100% again already in September. The Canadian nickel mines of Vale have a production capacity of some 160 thousand metric tons per year and are thus representing approximately 10% of global nickel production.

**Agriculturals:** Wheat prices continued their constant rise yesterday. European wheat closed at € 209 per metric ton on the highest level in more than two years; US wheat closed on a 22-month high of US\$ 7.25 per bushel. Since June, prices could thus increase by more than 50%. Yesterday, the Food and Agriculture Organization of the United Nations (FAO) revised the forecast for this year's global wheat harvest downwards by 25 million to 651 million metric tons, due to the crop failures to be expected in Russia, Ukraine and Kazakhstan. This corresponds exactly with the forecast of the International Grains Council last week. As the FAO points out, the global inventories are on a sufficiently high level to compensate for crop failures. Therefore, a repeat of the food crisis of the years 2007/08 is not to be expected. Back then, wheat prices rose to up to € 280 per metric ton respectively US\$ 13 per bushel. Nevertheless, worries are increasing that the imminent sowing of winter wheat might be affected by a continuing drought in Russia. According to the Russian Institute for Agricultural Market Studies, the regions affected by the drought would urgently need sufficient rainfalls in the next two weeks in order that they could be cultivated with winter wheat in due time. Every delay might be problematic for the crop yield in the next year because of the approaching winter.

## Prices

Energy <sup>1)</sup>	current	1 day	1 week	1 month	ytd
Brent Blend	82.2	-0.6%	5.5%	14.5%	5%
WTI	82.5	-0.1%	5.0%	14.0%	4%
Gasoline (95)	740.0	1.0%	6.8%	10.9%	6%
Gasoil	693.5	0.4%	6.2%	13.6%	9%
Diesel	701.0	0.3%	8.0%	13.4%	7%
Jet Fuel	744.0	0.0%	8.3%	13.2%	6%
Gas Henry Hub	4.74	2.1%	-1.7%	1.2%	-15%
<b>Base metals <sup>2)</sup></b>					
Aluminium	2228	1.1%	6.0%	14.6%	0%
Copper, LME	7505	1.1%	3.0%	15.1%	1%
Copper, SHFE (CNY)	57730	0.6%	2.8%	9.4%	-3%
Lead	2226	1.0%	8.6%	26.1%	-8%
Nickel	21950	1.3%	6.0%	17.4%	18%
Tin	20290	2.2%	3.8%	17.5%	20%
Zinc	2120	1.7%	6.1%	16.9%	-18%
<b>Precious metals <sup>3)</sup></b>					
Gold	1195.0	0.7%	2.4%	-1.0%	9%
Gold (EUR)	907.9	1.3%	-1.8%	0.6%	-16%
Silver	18.3	-0.5%	4.3%	3.1%	9%
Platinum	1583.0	0.0%	0.9%	4.8%	8%
Palladium	498.5	-0.7%	1.9%	15.3%	21%
<b>Agriculturals <sup>1)</sup></b>					
Wheat, LIFFE (EUR)	209.0	2.3%	10.3%	39.1%	57%
Wheat, CBOT	725.8	6.7%	18.3%	52.2%	37%
Corn	400.3	2.8%	4.9%	9.3%	-4%
Soybeans	1053.0	0.0%	2.6%	9.4%	1%
Cotton	84.5	-0.6%	4.3%	2.9%	11%
Sugar	18.82	-0.3%	-3.5%	12.7%	-30%
Coffee Arabica	169.8	0.0%	-1.9%	4.6%	25%
Cocoa	3122.0	2.0%	2.5%	6.9%	-5%

## Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	357980	-	-0.8%	-1.4%	2%
Gasoline	222974		0.3%	2.2%	5%
Distillates	4350		0.1%	-0.6%	15%
Jet fuel	169686		1.3%	6.5%	5%
Gas Henry Hub	2919		1.0%	11.2%	-3%
<b>Base metals**</b>					
Aluminium LME	4404975	0.0%	0.2%	-0.3%	-3%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	492264		-0.2%	-0.9%	173%
Copper LME	413950	0.0%	0.6%	-7.5%	45%
COMEX	100362	-0.1%	-0.6%	-1.2%	84%
Shanghai	104507		-8.3%	-15.7%	104%
Lead LME	184975	0.1%	0.9%	-2.5%	67%
Nickel LME	117870	-0.2%	1.3%	-4.5%	11%
Tin LME	14925	0.3%	-1.5%	-13.4%	-19%
Zinc LME	619650	-0.1%	0.0%	0.5%	47%
Shanghai	242832		-0.5%	-8.3%	
<b>Precious metals***</b>					
Gold	11175	0.6%	0.8%	2.3%	22%
Silver	108966	-1.2%	-1.4%	-4.7%	-8%
Platinum	132	0.0%	-0.2%	-0.6%	-3%
Palladium	620	0.0%	-0.1%	-1.1%	44%

## Currencies 3)

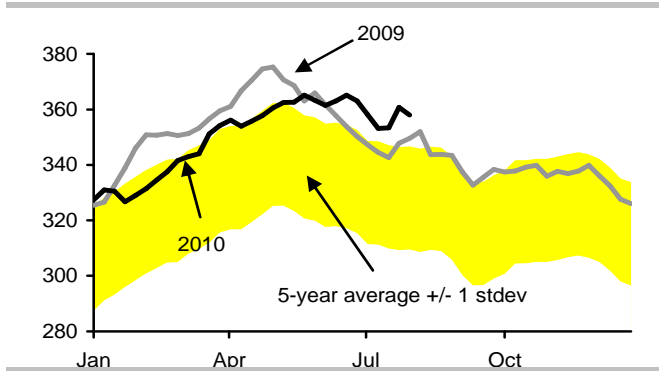
EUR/USD	1.3161	-0.5%	0.6%	4.9%	-9%
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Source: Bloomberg, Commerzbank Corporates & Markets

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

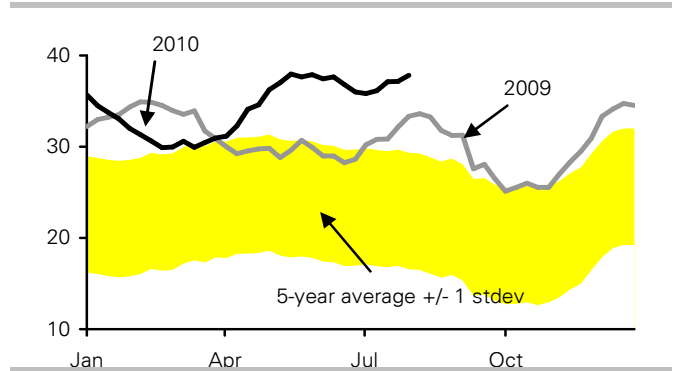
**DOE data: US inventories of crude oil, oil products and natural gas**

**GRAPH 1: Crude oil inventories (in mbbbl)**



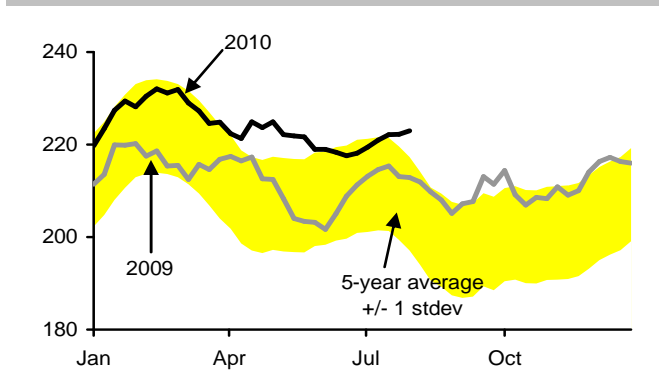
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

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



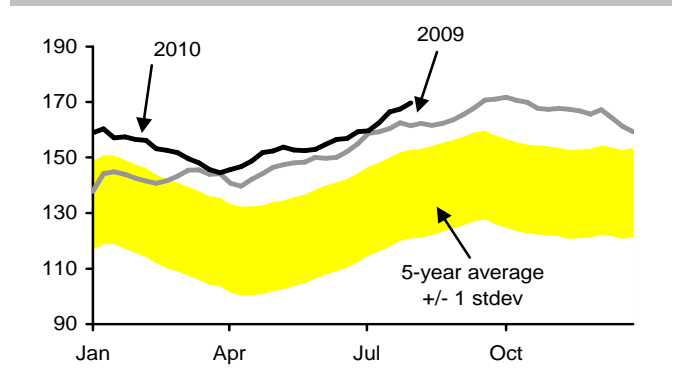
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 3: Gasoline inventories (in mbbbl)**



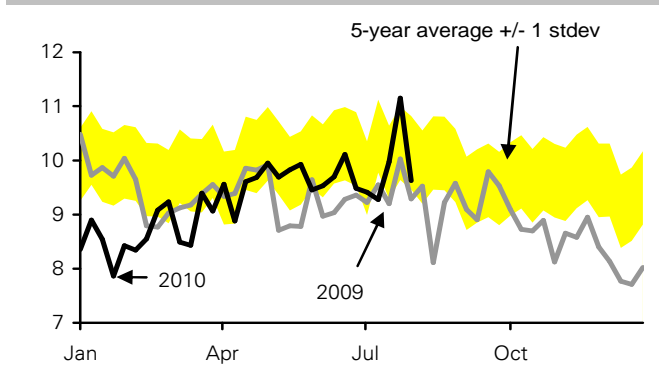
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 4: Distillates inventories (in mbbbl)**



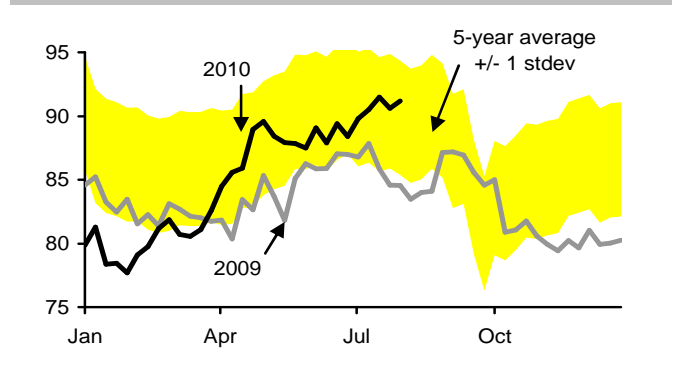
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

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



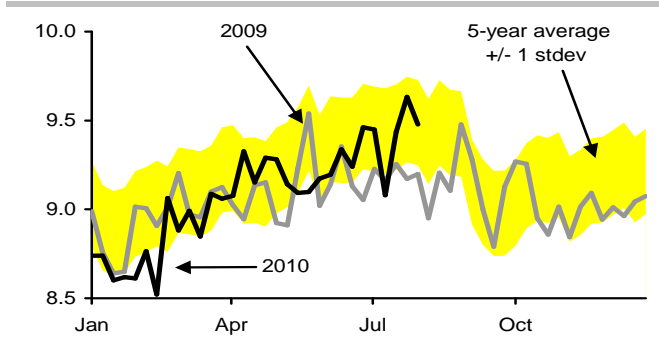
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

**GRAPH 6: Refinery utilization (in %)**



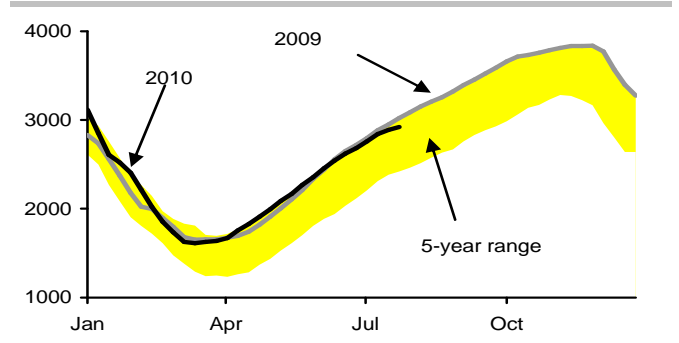
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

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



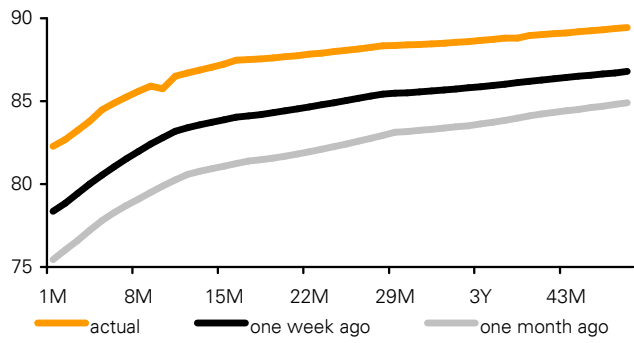
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

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



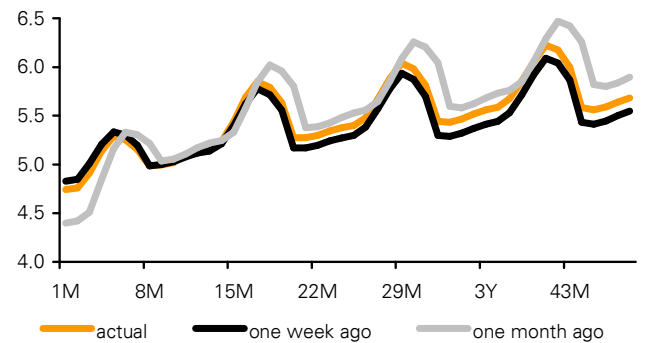
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH9: Forward curve oil market (WTI)



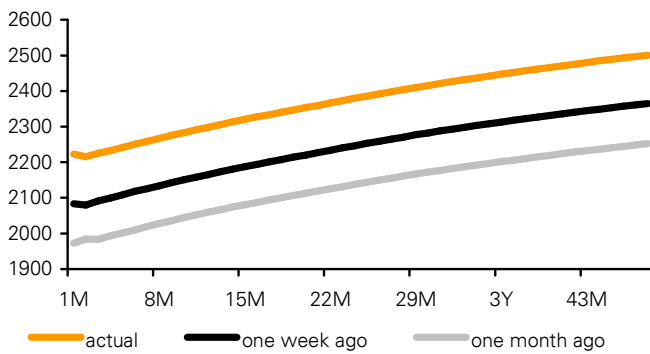
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve gas market (Henry Hub)



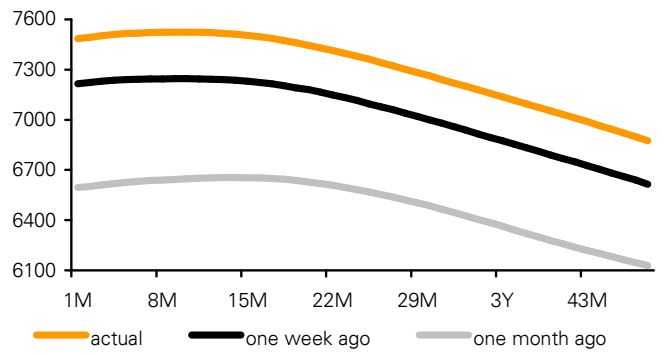
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve aluminium (LME)



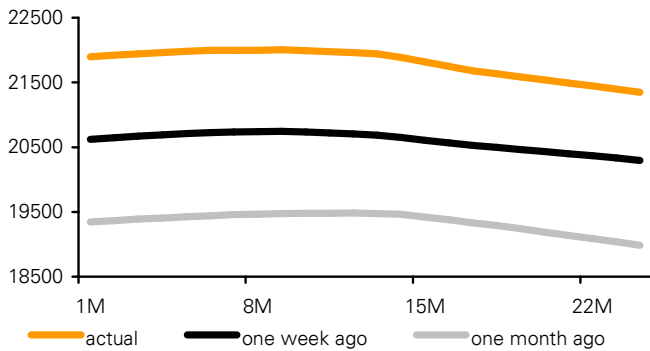
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve copper (LME)



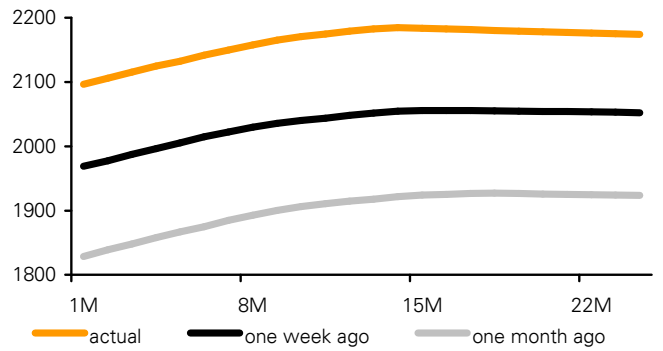
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve Nickel (LME)



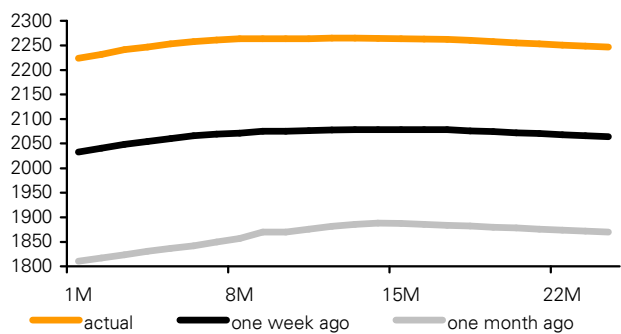
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve zinc (LME)



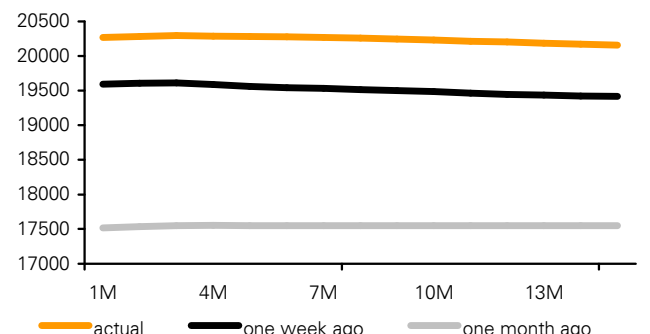
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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