COMMERZBANK

Commodities Daily

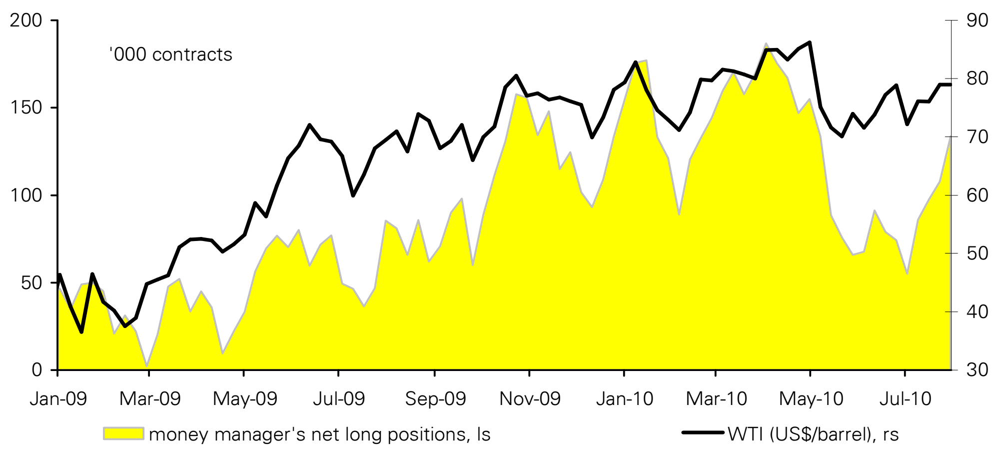
Wheat collapses by 20% after the price rallye

Energy: The oil price was under the spell of the US job market statistics on Friday. The fact that the US economy has only created 71 thousand jobs in the private sector during this phase of recovery, has been a negative surprise. Supported by the massively falling US dollar (the euro increased against the dollar from 1.317 to over 1.333 within a short period of time), the WTI oil price tried to recapture the mark of US$ 82 after the announcement. After this increase was unsuccessful, the WTI oil price fell back to just US$ 80; yet, it was able to recover and quotes at over US$ 81 this morning. This proves how difficult short-term oil price forecasts currently are. For, the oil price is currently more influenced by technical indicators than by the demand/supply situation. With 133.7 thousand contracts as at 3 August, speculative financial investors were in a mood last seen that positive in April, according to the CFTC report. Therefore, we would not be surprised, if the WTI oil price got under strong pressure, should the price fall below the psychologically important mark of US$ 80. From a fundamental view, this decline would be welcomed, because the oil market continues to be in strong oversupply at current prices. Oman, which does not belong to the OPEC, reported an increase of its oil production for the first half year by 8.1% to 857 thousand barrels per day. In such a situation, where oil prices remain very high and the non-OPEC countries increase their production, it should become increasingly difficult for OPEC to reach the quota discipline.

This week, the US Energy Information Administration EIA, the International Energy Agency IEA and the OPEC will publish their current demand estimates. EIA will start tomorrow, followed by the IEA on Wednesday, and the OPEC on Friday.

Precious metals: The gold price was able to jump over the psychologically important mark of US$ 1,200 per troy ounce without an effort in the course of the weak US job market statistics on Friday, and quotes at around US$ 1,210 at the start of the week. In euro terms, too, the gold price showed a relative strength and remains over € 900 per troy ounce. In the week ending 3 August, speculative financial investors expanded their net-long positions regarding all precious metals. According to market-positioning data by the CFTC, the expansion regarding silver was particularly pronounced. In the period under review, net-long positions increased by 33% to roughly 29 thousand contracts and thus to the highest level in five weeks. This means that financial investors have significantly contributed to the rise of the silver price by more than 4% in the reporting week. Nevertheless, silver has remained behind the price development of gold since the beginning of the year, yet it has been able to catch up lately. As the gold-silver ratio of slightly over 65 shows, silver is still relatively low priced in comparison to gold. Therefore, we continue to regard silver as an attractive investment alternative to gold and expect a price increase to US$ 20 per troy ounce by the end of the year.

CHART OF THE DAY: Strong increase of speculative buying interest in crude oil



Source: CFTC, Bloomberg, Commerzbank Corporates & Markets

Speculative market positioning (net)

03-Aug-10	'000 contracts	Weekly change
WTI	133.664	25948
Henry Hub	-93.090	10584
Gold	156.365	3473
Silver	28.882	7225
Platinum	17.915	2434
Palladium	14.238	909
Copper	17.187	2647
Wheat	29.226	156
Corn	197.723	49917
Soybeans	101.061	17874
Cotton	42.680	12737
Coffee	35.219	2194
Cocoa	17.842	1327
Sugar	98.577	5835

Source: CFTC, Bloomberg

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Base metals: Just like the other commodities, metal prices remained quite unaffected by the weak US job market statistics last Friday and could even gain in part. The weak US dollar should have prevented a slide of the prices. At the beginning of the new trading week, metal prices are also quite strong and start firm into the week. Speculative financial investors increased their net-long positions of copper in the week ending 3 August by 18% to 17.2 thousand contracts. This is at the same time the highest level since the end of April. This means that financial investors are increasingly taking over again, which causes fundamental data to take a backseat. As long as nothing changes regarding this situation, prices should remain well supported on their currently high level from this side. Further positive impulses are provided by information from the national Chinese Development Research Center, according to which economic growth in China is hardly expected to cool down in the second half of the year. The institute expects a growth rate of 10-11% for 2010 and is thus clearly more optimistic than many other economists. First data on the second half of the year from China, which might support this opinion, are to be published already during the course of the week and should have corresponding effects on the prices. The focus will be on import data, lending and industrial production.

Agriculturals: Wheat starts into the new trading week with prices below US$ 7 per bushel, after 2-year highs of US$ 8.4 on Friday. This is an indication for a decline of the European wheat price towards € 200 per metric ton. The price increase and the subsequent fall were accompanied by a record high trading volume. This is a sign that at least the last part of the price increase was driven by speculative factors. Contributing to the sharp correction were reports according to which Russia intended to reassess the export ban it had imposed last week after the end of the harvest. Thus, exports might be restarted in October. However, SovEcon, the leading Russian agricultural analyst, has reduced its forecast for this year's wheat harvest in Russia by another 4 million to 43-44 million metric tons. Since SovEcon was the precursor regarding the downwards revisions in the past weeks, this might cause further downwards revisions in the next days. Therefore, a clearly lower export volume has to be expected, even with a possible restart of Russian exports. First indications might be found in the monthly report of the US Department of Agriculture, due to be published on Thursday. So far, the USDA has been estimating 15 million metric tons. The actual Russian export volume should, however, be rather significantly less than 10 million metric tons, after 18 million metric tons in the previous year.

Prices

Energy [1]	current	1 day	1 week	1 month	ytd
Brent Blend	80.2	-1.8%	-0.4%	6.8%	3%
WTI	80.7	-1.6%	-0.3%	6.6%	2%
Gasoline (95)	724.5	-1.0%	1.9%	8.1%	3%
Gasoil	678.8	-1.3%	-0.5%	5.0%	6%
Diesel	697.0	-1.1%	4.4%	9.2%	5%
Jet Fuel	740.0	-0.5%	5.2%	10.3%	5%
Gas Henry Hub	4.47	-2.8%	-4.8%	1.7%	-20%
Base metals [2]					
Aluminium	2191	-0.4%	-0.1%	10.5%	-1%
Copper, LME	7370	-0.4%	-0.7%	10.3%	1%
Copper, SHFE (CNY)	58030	1.0%	0.9%	7.6%	-2%
Lead	2217	-1.1%	0.1%	20.2%	-9%
Nickel	22100	1.0%	2.0%	14.9%	21%
Tin	20725	1.2%	4.4%	17.6%	22%
Zinc	2129	1.5%	2.0%	13.7%	-15%
Precious metals [3]					
Gold	1205.4	0.9%	2.2%	-0.2%	10%
Gold (EUR)	907.7	0.2%	-1.4%	0.5%	-16%
Silver	18.5	0.8%	0.9%	2.2%	10%
Platinum	1574.0	0.1%	-2.4%	2.0%	7%
Palladium	492.0	-1.0%	-4.0%	6.4%	20%
Agriculturals [1]					
Wheat, LIFFE (EUR)	209.5	-6.3%	7.3%	33.2%	57%
Wheat, CBOT	725.8	-7.6%	0.4%	33.0%	29%
Corn	405.0	0.4%	3.6%	7.8%	-2%
Soybeans	1059.0	0.4%	1.2%	3.9%	3%
Cotton	84.2	0.2%	2.5%	3.4%	12%
Sugar	18.24	-0.3%	-6.8%	9.3%	-32%
Coffee Arabica	167.4	-1.4%	-5.0%	7.7%	23%
Cocoa	3006.0	-0.2%	-2.7%	2.3%	-9%

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	2948		1.0%	9.8%	-5%
Base metals**					
Aluminium LME	4397675	-0.1%	0.3%	-0.2%	-4%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	492282		0.0%	-0.9%	171%
Copper LME	412625	-0.1%	-0.2%	-6.6%	45%
COMEX	99970	-0.4%	-0.9%	-1.6%	85%
Shanghai	106368		1.8%	-14.6%	68%
Lead LME	187975	0.4%	2.1%	-0.7%	65%
Nickel LME	117336	-0.4%	-0.1%	-4.0%	11%
Tin LME	15040	2.2%	0.3%	-10.3%	-19%
Zinc LME	618375	-0.1%	-0.3%	0.3%	43%
Shanghai	244452		0.7%	-4.2%	
Precious metals ***					
Gold	11176	0.0%	1.1%	2.6%	22%
Silver	109958	0.2%	-0.1%	-3.2%	-7%
Platinum	132	0.0%	-0.1%	-0.6%	-11%
Palladium	620	0.0%	-0.1%	-1.1%	44%

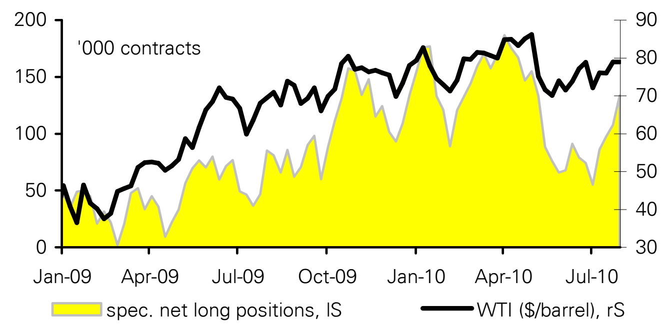
Currencies 3)					
EUR/USD	1.3280	0.8%	0.8%	5.1%	-6%

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

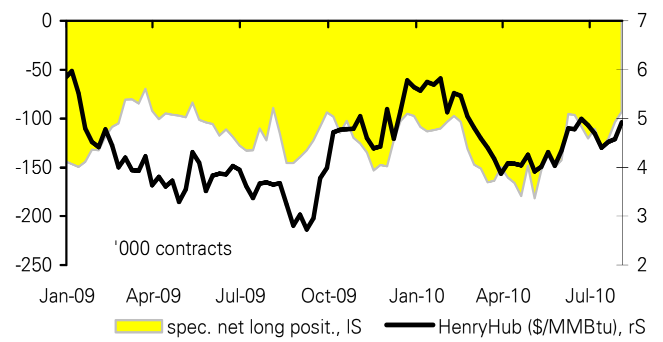
Net long positions of money managers vs. price

GRAPH1: **Crude oil (WTI)**



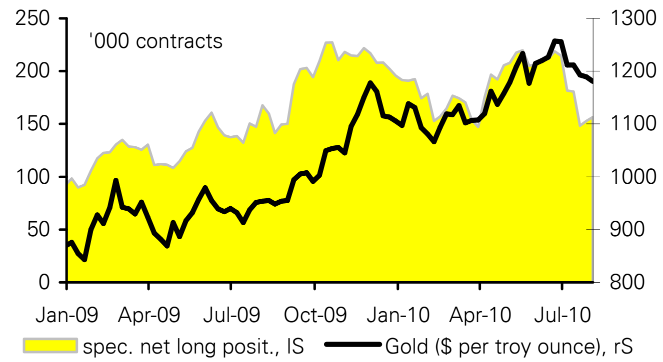
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: **Natural gas (Henry Hub)**



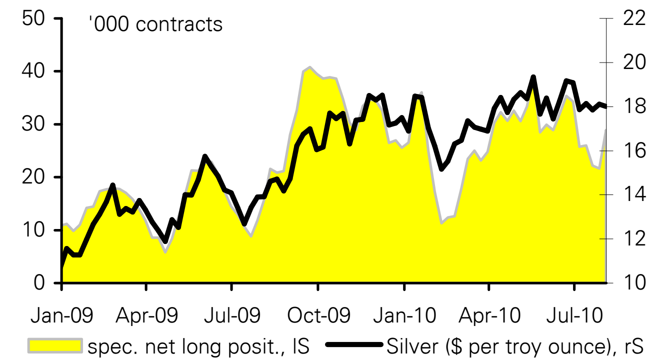
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: **Gold**



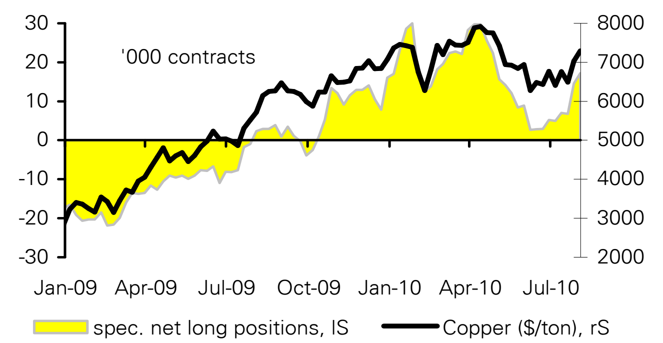
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: **Silver**



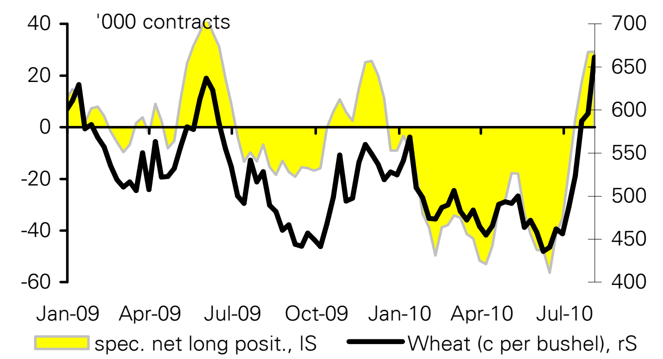
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: **Copper**



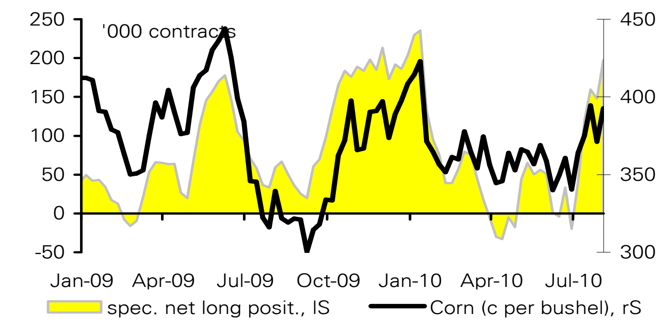
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: **Wheat**



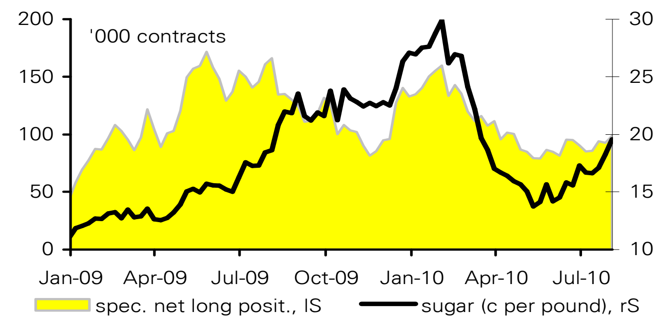
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: **Corn**



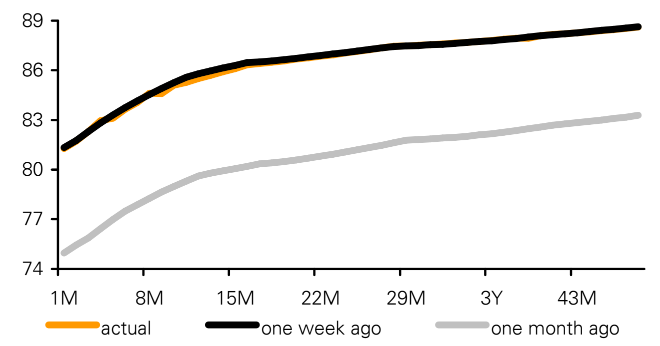
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: **Sugar**



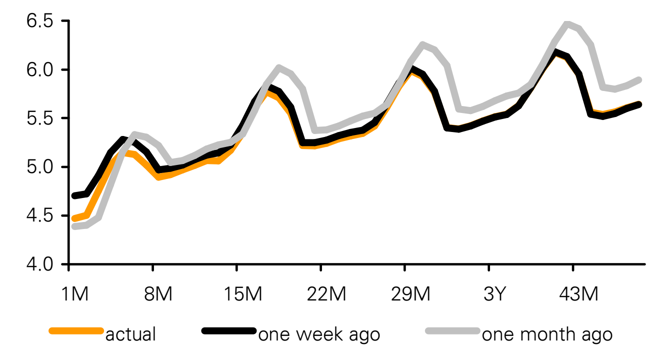
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH9: **Forward curve oil market (WTI)**



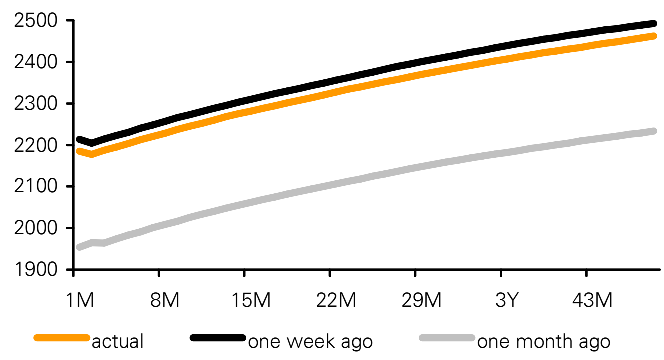
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: **Forward curve gas market (Henry Hub)**



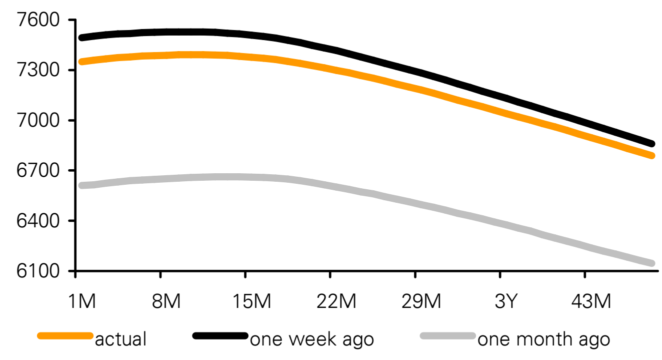
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: **Forward curve aluminium (LME)**



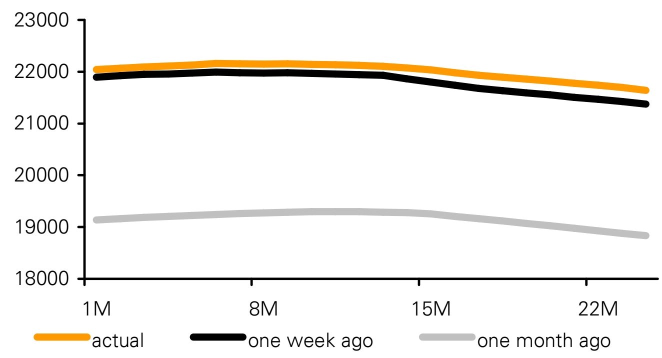
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: **Forward curve copper (LME)**



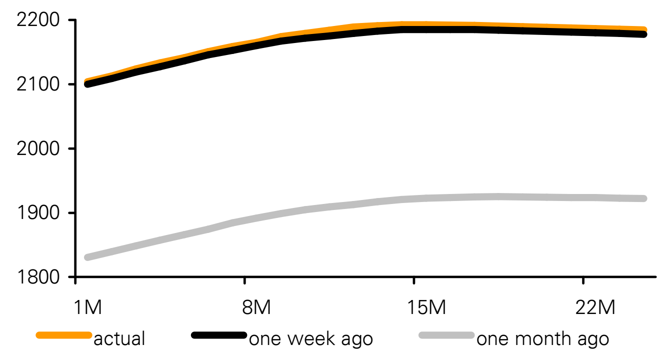
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: **Forward curve Nickel (LME)**



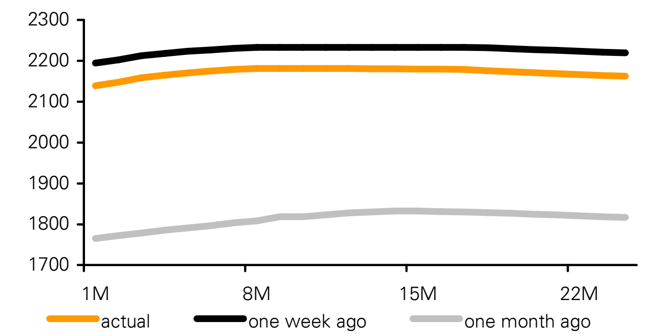
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: **Forward curve zinc (LME)**



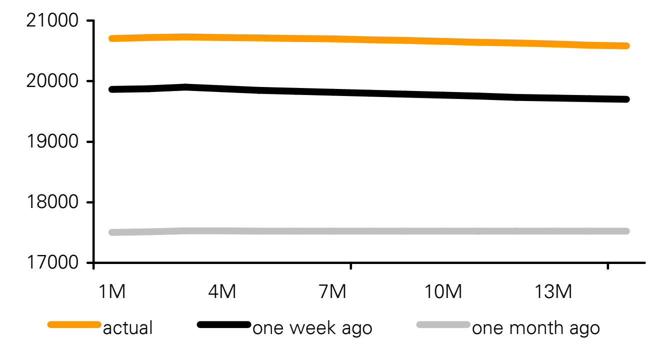
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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