

Commodities Daily

31 August 2010

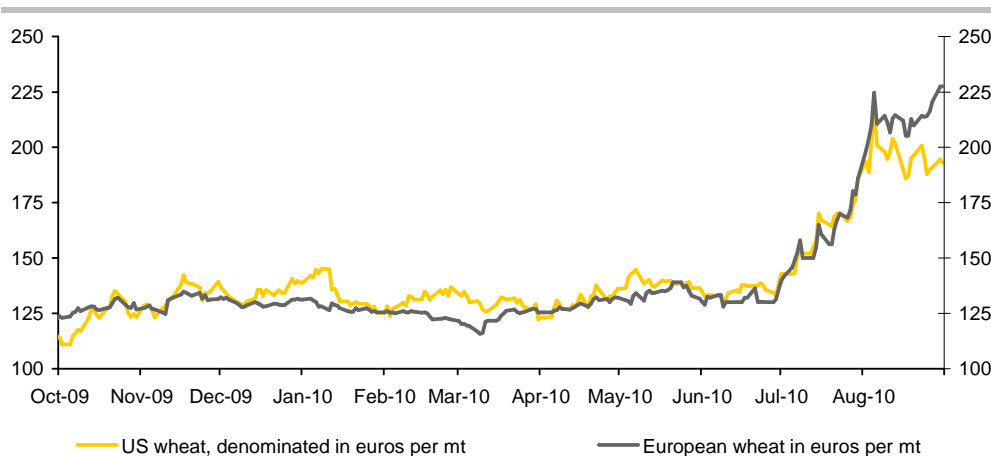
Gloomier sentiment weighs on commodity prices

Energy: The price of WTI oil has come under substantial pressure in the wake of the firmer dollar and weaker equity markets. WTI costs only \$73.6 this morning. Brent is currently trading at a premium of two US dollars on WTI. This can be explained mainly by the weaker fundamental situation in the US. Yesterday, the US Department of Energy lowered its forecast for US oil demand in June by 48 thousand to 19.291 million barrels a day. Although this is 2.5% more than the year before and the highest level since October 2008, it is still well below the level prior to the slump on demand in 2008. US oil demand was constantly above 20 million barrels a day between 2004 and 2007. Weak demand from the world's largest oil consumer is clearly reflected in rising crude and oil product inventories, which are now at their highest level since the early 1980s. The API publishes its inventory data for last week after close of trading today. Crude oil stocks are expected to rise by 1.3 million barrels. Due to various inconsistencies, the API data has lost some significance in past weeks and can only be regarded as an indicator of the official inventory data from the US Department of Energy on Wednesday to a limited extent. Fiona is the next named tropical storm presently forming in the Atlantic, but, like hurricanes Earl and Danielle, should also miss the Gulf of Mexico and therefore have no impact on oil and gas production and price trends.

Precious metals: While the price of gold in US dollars is still trading between \$1,230 and \$1,240 a troy ounce despite a firmer US currency, the upward trend in euros has resumed. At around €980 a troy ounce, the price is just below the recent 8-week high. It is probably only a question of time before the record levels of June are reached or broken again. Firstly, the festival season in India began last week, when a lot of gold is traditionally given as gifts. Secondly, the debt crisis in Europe has returned to the focus of market players again. CDS and bond markets price in a higher default probability for Greek government bonds and an even greater probability of the rescue action for Greece failing. Given this news, gold should remain in strong demand as a "safe haven", even if the gold holdings of the SPDR Gold Trust have stagnated lately.

Palladium has been hovering around the \$500 a troy ounce mark since the start of August, however, it has not managed to take this hurdle on a lasting basis so far, despite several attempts. Platinum has been in a range between \$1,500 and \$1,600 a troy ounce since the end of May. Should the current strike of public workers in South Africa spread to the mining companies, this could give prices fresh tailwind.

CHART OF THE DAY: European wheat profits from relative shortage



Source: CBOT, LIFFE, 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: Against the backdrop of weak equity markets in Asia, trading on the LME has started this week with quite substantial price markdowns. No trading took place in the UK yesterday because of a public holiday. The fact that prices on the LME have not been able this morning to catch up on the sharp price gains of the day before in Shanghai is to be seen as a sign of weakness. Should China's Purchasing Managers' Index and the ISM Index for the manufacturing sector in the US prove disappointing when published tomorrow, this could trigger more selling on metal markets and put further pressure on prices.

According to the national statistics institute of Chile, INE, copper production in the world's largest producing country expanded by 6.3% to a good 452 thousand tons in July, year-on-year. Compared to the month before, production has clearly fallen, though. Chile's copper production thus remains well below its highest levels. The greater supply on the global copper market is currently faced with stronger demand so it should be absorbed and is unlikely to push stocks up. LME copper stockpiles have dipped below the 400 thousand ton mark today again for the first time since November 2009.

Agriculturals: At €227 a ton, the price of European wheat on the Paris exchange closed yesterday at a level last seen in April 2008, topping the year's high so far of €224.5 on 5 August. The European wheat market is reacting very sensitively to the disappointing harvest in terms of quantity and quality, also in Germany. At the same time, international demand for European wheat has been very strong recently: export licences were granted for 856 thousand tons in the week up to August 26th, which, at 2.7 million tons, pushed total exports since the start of the trade year in July above the level at the same time last year. A significant reduction of European wheat stocks is thus to be expected. The firmer dollar should also have supported euro prices. The price of US wheat lost its price gains of up to 4% shortly before close of trading and actually closed at a slight minus. This is probably due to profit-taking, after the \$7 mark could not be reached and commodities in general came under pressure. Furthermore, the USDA's crop progress report published after trading yesterday also weighed on prices. 69% of the summer wheat harvest is complete in the US, an improvement of 16 percentage points on the week before. Continued wet weather in the northern growing regions of the Midwest has thus not caused any delays in the harvest so far.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	ytd
Brent Blend	76.6	-1.0%	3.0%	-3.0%	-3%
WTI	74.7	-0.6%	2.9%	-6.6%	-7%
Gasoline (95)	674.0	0.9%	1.4%	-3.7%	-4%
Gasoil	646.5	1.1%	2.3%	-1.2%	1%
Diesel	658.0	0.8%	1.5%	1.4%	1%
Jet Fuel	688.0	2.8%	2.3%	0.4%	-1%
Gas Henry Hub	3.81	4.4%	-5.0%	-22.1%	-31%
Base metals ²⁾					
Aluminium	2058	1.7%	0.6%	-5.7%	-8%
Copper, LME	7459	2.1%	1.8%	1.2%	0%
Copper, SHFE (CNY)	58680	-0.6%	2.6%	4.4%	-1%
Lead	2049	3.2%	0.0%	-1.4%	-16%
Nickel	21050	2.9%	-1.9%	-1.6%	12%
Tin	21640	1.4%	3.7%	8.8%	25%
Zinc	2095	2.2%	1.1%	2.0%	-19%
Precious metals ³⁾					
Gold	1237.0	-0.1%	0.4%	4.6%	13%
Gold (EUR)	976.9	0.7%	-0.1%	-0.8%	-21%
Silver	19.0	-0.4%	3.1%	5.1%	12%
Platinum	1527.3	-0.4%	0.0%	-3.7%	3%
Palladium	496.8	-1.6%	0.7%	-1.8%	20%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	227.5	3.2%	6.2%	22.3%	73%
Wheat, CBOT	671.3	1.3%	-1.2%	0.8%	23%
Corn	425.5	1.1%	3.6%	6.9%	1%
Soybeans	1018.0	-0.4%	0.6%	-4.4%	-3%
Cotton	86.4	0.4%	1.8%	10.2%	13%
Sugar	19.73	-0.8%	-2.1%	0.8%	-27%
Coffee Arabica	177.4	1.4%	6.3%	0.6%	30%
Cocoa	2672.0	-1.3%	-4.5%	-13.6%	-19%

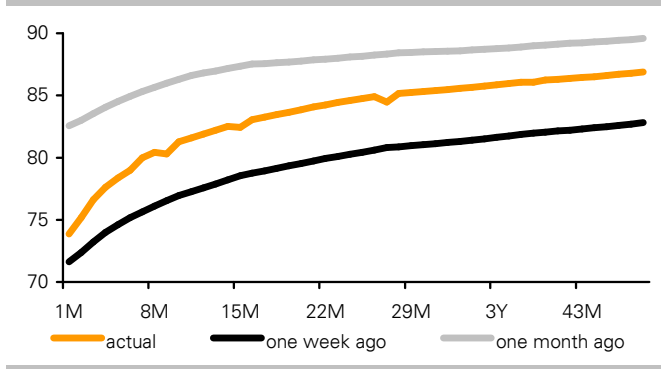
Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	358282	-	1.2%	1.4%	4%
Gasoline	225617		1.0%	1.6%	8%
Distillates	4394		3.5%	-2.6%	10%
Jet fuel	175974		1.0%	5.6%	8%
Gas Henry Hub	3052		1.3%	5.6%	-6%
Base metals**					
Aluminium LME	4445600	-0.1%	-0.3%	1.4%	-4%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	490765		-0.2%	-0.5%	123%
Copper LME	400100	-0.3%	-0.5%	-3.2%	34%
COMEX	95719	-3.8%	-0.5%	-5.0%	81%
Shanghai	110582		0.2%	-2.9%	28%
Lead LME	192150	-0.2%	-0.3%	4.3%	59%
Nickel LME	118860	-0.1%	2.0%	1.2%	5%
Tin LME	14250	2.0%	-0.4%	-5.0%	-28%
Zinc LME	623100	-0.1%	0.7%	0.4%	43%
Shanghai	231568		-1.9%	-5.1%	
Precious metals***					
Gold	10817	-0.6%	-0.5%	-2.2%	18%
Silver	110758	-0.4%	-0.7%	0.6%	-5%
Platinum	131	0.0%	-0.7%	-1.1%	-12%
Palladium	616	0.0%	-0.1%	-0.7%	43%
Currencies ³⁾					
EUR/USD	1.2663	-0.7%	0.3%	-3.9%	-12%

Source: Bloomberg, Commerzbank Corporates & Markets

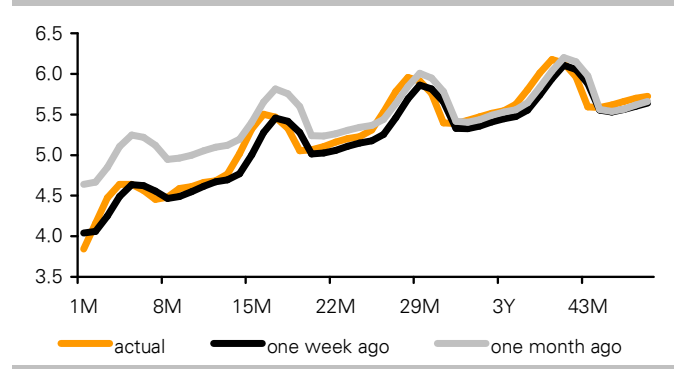
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
 * '000 barrel, ** tons,*** '000 ounces

CHART1: Forward curve oil market (WTI)



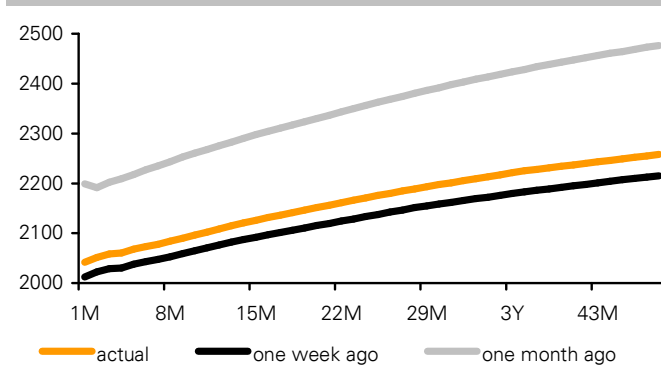
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

CHART 2: Forward curve gas market (Henry Hub)



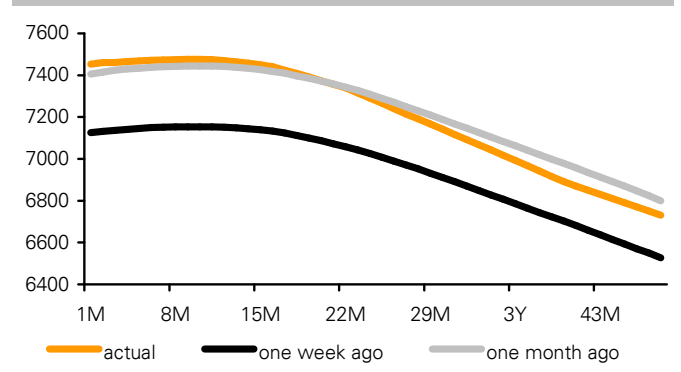
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

CHART 3: Forward curve aluminium (LME)



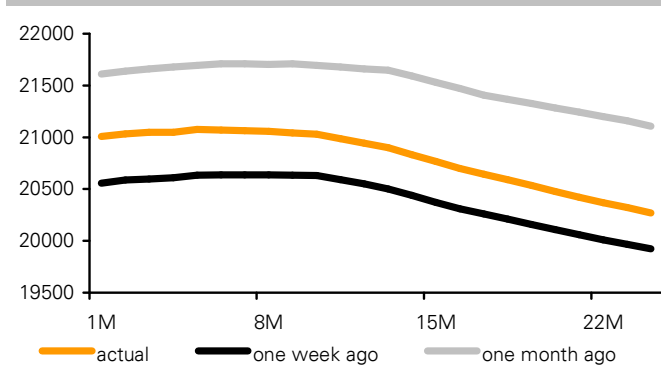
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 4: Forward curve copper (LME)



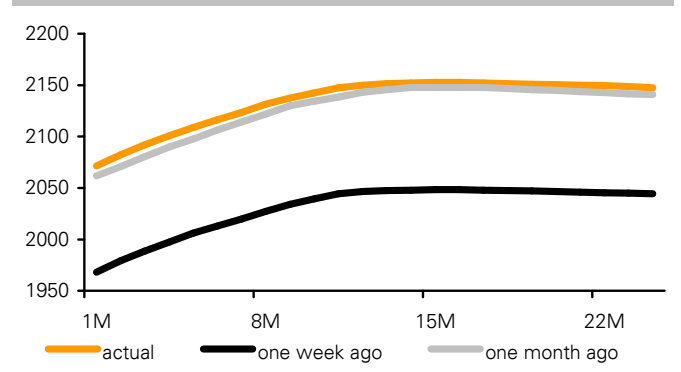
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 5: Forward curve Nickel (LME)



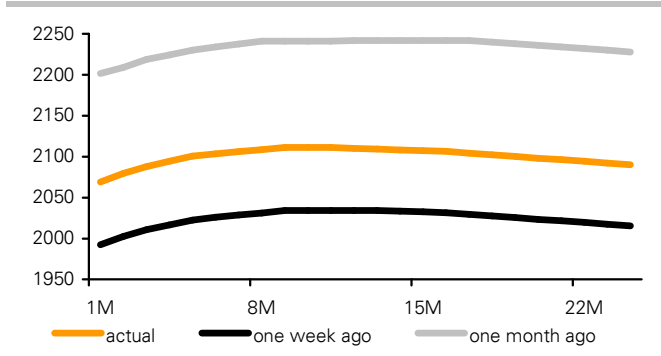
Source: LME; Bloomberg, Commerzbank Corporates & Markets

CHART 6: Forward curve zinc (LME)



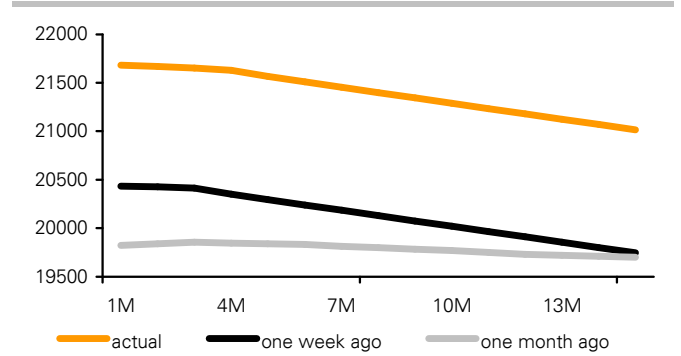
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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Commerzbank Corporates & Markets

Frankfurt

Commerzbank AG

DLZ - Gebäude 2, Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt

London

Commerzbank AG
London Branch
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
2 World Financial Center, 31st floor,
New York,
NY 10020-1050

Tel: + 1 212 703 4000
Fax: + 1 212 703 4201