

Commodities Daily

24 September 2010

Silver rises to a 30-year high

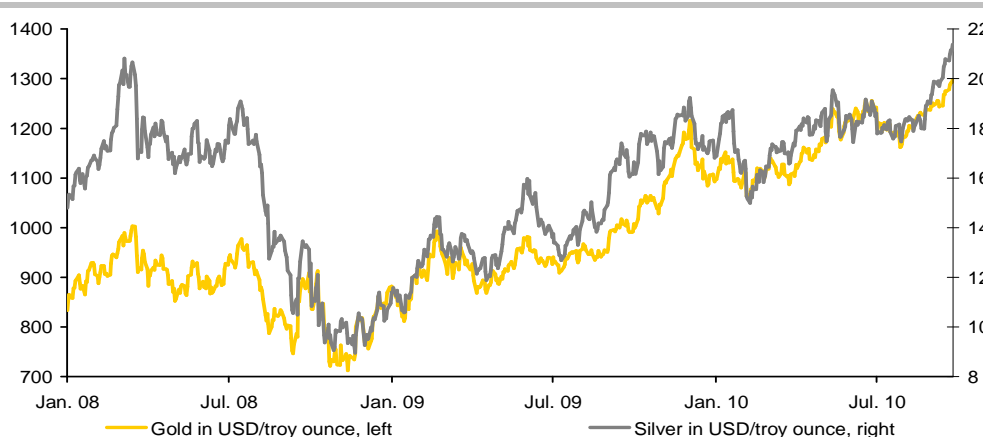
Energy: The oil price doesn't make any headway: Although the increase of initial jobless claims in the US reported yesterday shortly put some pressure on the price, the improvement of the leading indicators reported subsequently created sufficient counterweight so that WTI could establish itself again at US\$ 75 per barrel. The market seems to be unoriented somehow and is mainly waiting for further economic signals from the US allowing some conclusions regarding oil demand in the biggest consuming country of the world. Meanwhile the supply side remains unstressed: The consultancy Oil Movements reports that exports of the OPEC countries will increase to 23.42 million barrels per day in the four weeks to 9 October. After all, this is an increase of 210 thousand barrels per day compared to the four weeks before. Worries regarding a shortage of the OPEC supply therefore seem to be unjustified. Even if the global supply situation is intact, there might be bottlenecks in regional (product) markets. At least the ICE forward curve for gas oil in Europe is indicating such a development: Currently, the front-month future is traded at least 2 dollars higher than the November contract. News that inventories in Amsterdam-Rotterdam-Antwerp have been falling for the third consecutive time in the current week by 2.5% to 2.47 million metric tons fits into this context.

Natural gas of the Henry Hub brand passed US\$ 4 per mmBtu yesterday after the increase of inventories was lower than expected. Furthermore, some positions of the popular trading strategy "long oil/short gas" should have been closed.

Precious metals: Yesterday, the gold price did not register a new record high for a change, yet it has been resuming its upwards trend today and has reached a new all-time high at more than US\$ 1,298 per troy ounce. After marked inflows at the beginning of the week, the worldwide biggest gold ETF, SPDR Gold Trust, reported outflows of just under 3 metric tons yesterday. Yet, this should only be a momentary situation, because the general interest of investors is not waning and gold is sought for mainly as a "stable currency". The most recent actions of several central banks have added fuel to fears regarding a depreciation race among global currencies. These fears should boost the gold price in the long run.

The silver price has increased to US\$ 21.39 per troy ounce and thus marked a new 30-year high. High inflows into silver ETFs are once again boosting the price. The worldwide biggest silver ETF, iShares Silver Trust, reported another marked increase of its holdings of 73 metric tons yesterday. Thus, the highest level since the fund was issued in April 2006 has been reached with 9,583 metric tons. In the current month alone, inflows of so far 355 metric tons have been registered. In addition to that, financial investors leaning towards more speculative investments should also have bet on rising silver prices. Statistics from the CFTC on market positioning, to be published tonight after close of the trading, will give information on this issue.

CHART OF THE DAY: The gold and silver rally continues



Source: Bloomberg, Commerzbank Corporates & Markets

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Base metals: The increase of the index at the London Metal Exchange LME to a 5-month high shows that metal prices continue their rally despite missing impulses from China. It can be justified in part by the improved fundamental situation at most metal markets. However, in our opinion the extent is exaggerated so that some potential for corrections has built up.

According to the assessment of Norilsk Nickel, the worldwide biggest nickel producer, global demand for nickel is approaching the pre-crisis level. Particularly the stainless steel industry, which is the biggest nickel consumer by far with a share of some 70%, has largely recovered. Even if a decline of demand was registered for seasonal reasons at Norilsk Nickel in the third quarter, it was not as sharp as initially feared. Yet, beware of exuberant euphoria, because global supply is at the same time being expanded. The Brazilian mining company Vale, for instance, will commission two new large nickel mines (Goro, Onca Puma) within the next months, with a production capacity of some 60 thousand metric tons per year each. Further marked price increases of nickel should therefore be limited.

Agriculturals: The rise of grain prices which was persistent since the beginning of September has now begun to stall. The decrease of corn prices at the CBOT to less than US\$ 5 per bushel in the meantime should have been the main factor in starting yesterday's correction regarding grain. The market was obviously disappointed about the weak export dynamics of corn: US net corn exports fell by 4% to 562 thousand metric tons in the week ending 16 September instead of the expected increase to 650-850 thousand metric tons. This is not really a surprise in view of the enormous price increase during the past weeks and months – the corn price increased by 25% in only four weeks and during the past three months the increase was even roughly 50%. The decline of European wheat prices contributed to a decrease of wheat prices at the CBOT. In our opinion, the sharp decline of prices in Paris was mainly caused by profit takings due to the most recent strength of the Euro and the deterioration of the technical situation. Furthermore, the information service Informa estimates that the cultivated area for wheat in the US will increase by more than 7% to 57 million acres next year, which led to an according worsening of the long-term expectations and the mood of market participants. Informa also reckons with an expansion of the cultivated area for soybeans and corn. The market seems to have ignored news from the Russian analysis service SovEcon that Russia is currently sensing an "acute" shortage and will possibly even have to import more than 6 million metric tons of grain. The possibility of a much lower future crop in Argentina due to La Niña has also not been considered. Argentina is among the biggest exporters of grain.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	ytd
Brent Blend	78.1	0.2%	0.0%	8.0%	0%
WTI	75.2	0.6%	2.3%	5.2%	-5%
Gasoline (95)	679.0	-1.6%	-5.0%	3.2%	-3%
Gasoil	677.3	1.1%	2.3%	9.9%	7%
Diesel	684.0	1.2%	0.3%	7.6%	5%
Jet Fuel	704.0	0.9%	-0.6%	5.2%	1%
Gas Henry Hub	4.02	1.3%	0.1%	-0.3%	-28%
Base metals ²⁾					
Aluminium	2292	2.6%	5.1%	13.0%	3%
Copper, LME	7885	0.5%	2.6%	11.0%	7%
Copper, SHFE (CNY)			1.1%	4.4%	1%
Lead	2299	2.3%	4.4%	14.3%	-5%
Nickel	22750	0.8%	-1.4%	11.1%	24%
Tin	23695	1.7%	0.4%	16.2%	40%
Zinc	2250	2.7%	5.5%	13.9%	-11%
Precious metals ³⁾					
Gold	1292.5	0.1%	1.8%	5.4%	18%
Gold (EUR)	970.7	0.8%	0.8%	0.1%	-21%
Silver	21.1	-0.1%	2.9%	16.2%	27%
Platinum	1640.0	0.4%	1.5%	8.5%	12%
Palladium	550.5	0.8%	3.1%	15.1%	37%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	223.3	-2.0%	-2.4%	4.2%	70%
Wheat, CBOT	697.3	-3.1%	-4.4%	4.8%	31%
Corn	499.3	-1.1%	-1.8%	24.4%	22%
Soybeans	1093.5	0.5%	3.2%	10.3%	6%
Cotton	97.2	-2.5%	-1.1%	13.9%	27%
Sugar	24.73	0.1%	0.5%	22.7%	-8%
Coffee Arabica	182.8	0.6%	-2.7%	9.6%	34%
Cocoa	2787.0	0.3%	1.5%	0.4%	-15%

Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	358335	-	0.3%	1.2%	7%
Gasoline	226058		0.7%	1.2%	6%
Distillates	4304		-1.4%	1.4%	3%
Jet fuel	174854		0.2%	0.4%	2%
Gas Henry Hub	3340		2.2%	10.9%	-5%
Base metals**					
Aluminium LME	4369550	-0.1%	-0.5%	-1.9%	-5%
COMEX	1767	0.0%	0.0%	0.0%	-84%
Shanghai	494782		0.9%	0.5%	116%
Copper LME	380225	0.0%	-1.0%	-5.8%	12%
COMEX	87245	-0.4%	-3.5%	-9.4%	63%
Shanghai	98225		0.2%	-13.7%	-6%
Lead LME	190875	-0.1%	-0.5%	-1.0%	52%
Nickel LME	120594	0.4%	1.0%	2.6%	3%
Tin LME	13665	0.0%	0.3%	-3.0%	-43%
Zinc LME	618625	-0.1%	-0.1%	-0.4%	42%
Shanghai	236113		-0.7%	-5.1%	
Precious metals***					
Gold	10817	0.0%	0.2%	-0.5%	17%
Silver	110841	-1.1%	-0.8%	-0.6%	-3%
Platinum	127	-0.1%	-0.1%	-3.7%	-14%
Palladium	614	0.0%	0.0%	-0.3%	45%

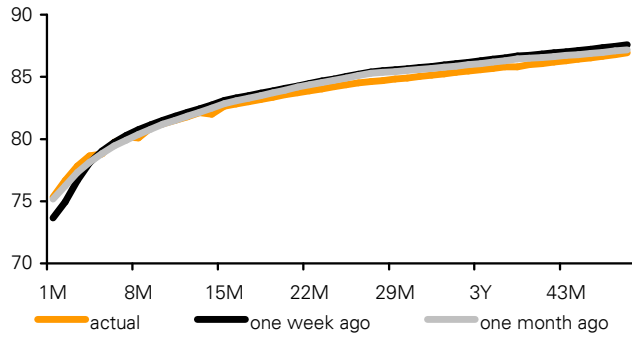
Currencies 3)

EUR/USD	1.3314	0.6%	2.6%	6.0%	-9%
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Source: Bloomberg, Commerzbank Corporates & Markets

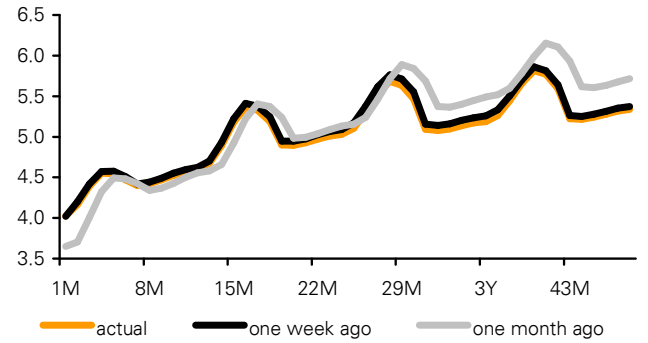
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
 * '000 barrel, ** tons, *** '000 ounces

GRAPH 1: Forward curve oil market (WTI)



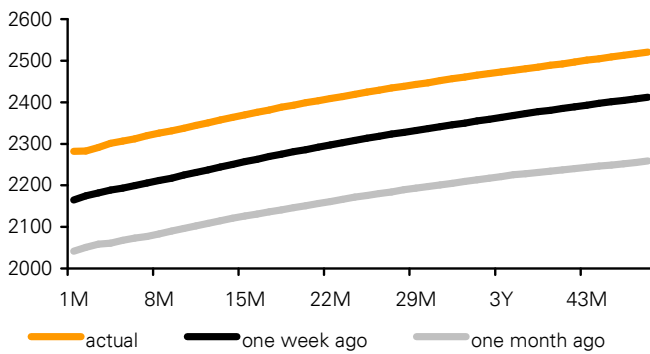
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve gas market (Henry Hub)



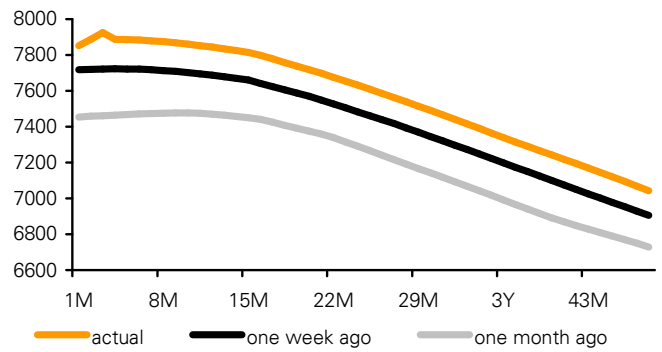
Source: NYMEX, Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve aluminium (LME)



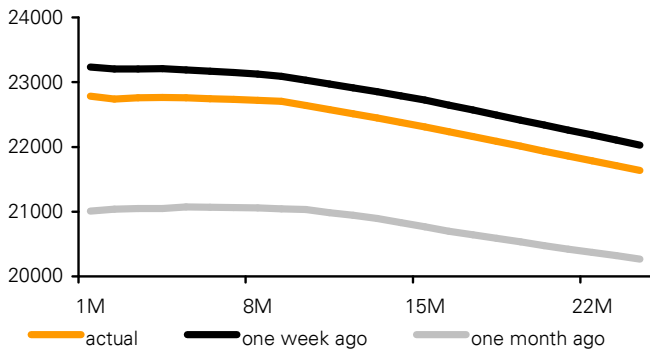
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve copper (LME)



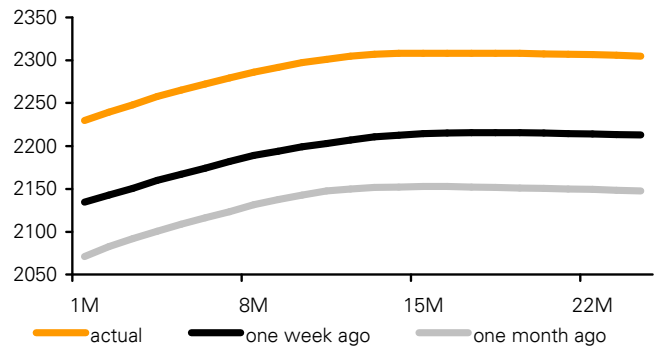
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve Nickel (LME)



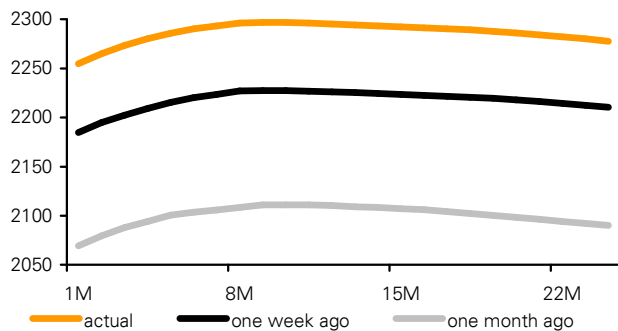
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve zinc (LME)



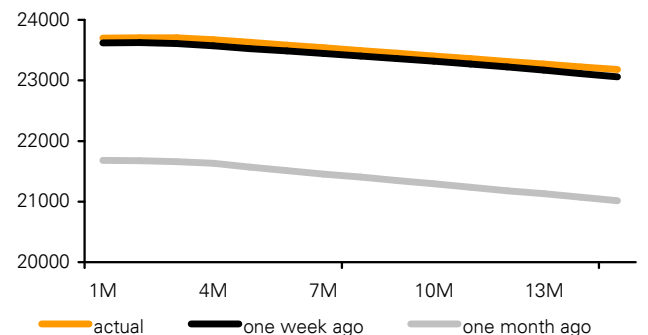
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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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