

Commodities Daily

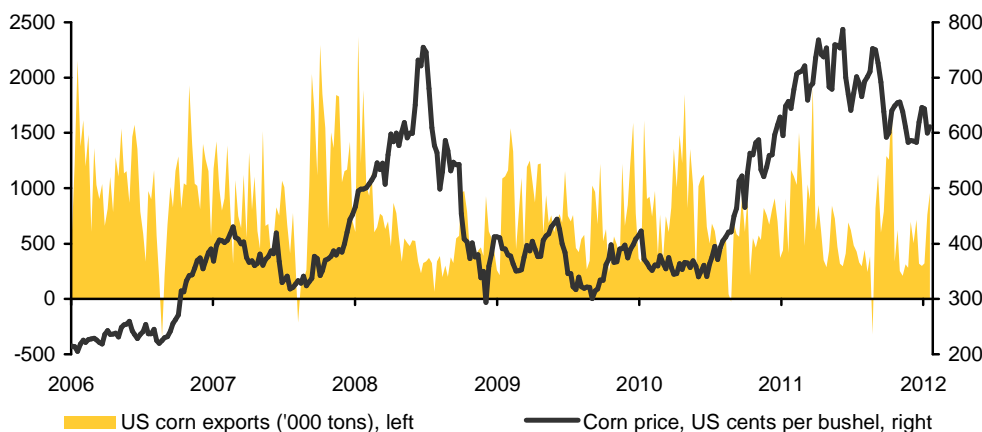
27 January 2012

Everything is up but crude oil

Energy: Oil prices this morning are showing signs of weakness. Brent has slipped below the \$111 a barrel mark, while WTI is again riding at below \$100 a barrel. The performance of oil prices over the past few days can only be described as disappointing: despite continued supply risks and Iran's threat to discontinue oil shipments to the EU of its own accord even before 1 July, oil prices have been treading water for days. Evidently the market does not believe that Iran will carry out its threat given the country's dependence on its oil export revenues. Even the price rally enjoyed by other commodities across the board in the wake of Wednesday's meeting of the Fed has largely failed to boost oil prices. This must be interpreted as a negative sign for the oil price and could herald further decreases. As Libyan state oil company NOC reports, oil production in Libya has meanwhile climbed to 1.3 million barrels per day and has thus almost regained its pre-war level of 1.6 million barrels per day. Libya's return to the oil market would therefore appear to be progressing significantly more quickly than previously thought. Because the other OPEC members are not reducing their oil production accordingly, a supply surplus is being generated on the oil market which, according to the IEA, had already totalled nearly 1 million barrels per day in December. For as long as there are no actual supply shortfalls, this supply surplus is likely to weigh on the risk premium and thus on prices.

Precious metals: Gold is holding its own above the \$1,700 a troy ounce mark, having yesterday reached a good \$1,730 for a time, its highest price for seven weeks. Calculated in euros, the yellow metal is continuing to defend the €1,300 a troy ounce level. Evidently, money managers with a long-term view are finding the euphoria sparked by the US Federal Reserve contagious and have been buying gold ETFs for the second day running. The SPDR Gold Trust yesterday saw inflows of 1.5 tons, expanding holdings to a 5-week high. In addition, coin sales are on the up: according to data from the U.S. Mint, 114.5 thousand ounces of American Eagle gold coins have already been sold so far in January. If this dynamism continues for the remaining days of the month, the highest monthly sales figure for gold coins in 1½ years could be achieved. What is more, gold is also becoming increasingly attractive as a safe haven. According to EU Commissioner for Economic and Monetary Affairs Olli Rehn, Greece needs more financial aid from public sector creditors than previously anticipated. Thus the sovereign-debt crisis in the eurozone is far from over. In this context, all eyes will be on the EU summit next Monday in Brussels. It is questionable whether the EU state and government heads there will show a resolute and united front.

CHART OF THE DAY: US corn exports jumped recently



Source: USDA, Bloomberg, Commerzbank Corporates & Markets

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Base metals: This morning has featured merely a brief interlude in the upswing enjoyed by metals. Following the price rally observed over recent days, we have seen moderate profit-taking as trading got underway today, yet the trend still shows a clear upward direction. Copper, for example, was trading yesterday above the \$8,600 a ton mark for a while, its highest level for more than four months. Prices have been driven up by the weak US dollar in the wake of the Fed meeting, partly good economic data on both sides of the Atlantic and firm equity markets. These are an expression of the currently high risk appetite of market players. Today, the focus is likely to be on the GDP figures due to be published in the US. If these prove to be better than expected, metals could be given further buoyancy. The US is the world's second-largest consumer of metals.

The price of tin literally soared yesterday, for a time gaining 8% or \$1,800 to begin trading this morning at a 4½-month high of \$24,500 a ton. This represents a good 26% increase since the start of the year. This extremely sharp price rise as compared to other metals is no doubt due to the nature of the tin market – being the smallest and most illiquid metal market of all, even small-scale buying can generate a major impact.

Agriculturals: The robust demand for US corn is causing prices on the CBOT to climb further. Yesterday, the corn price hit \$6.45 a bushel, its highest level since two weeks ago when an upward revision of US inventories had caused the price to collapse. It has meanwhile regained three-quarters of its previous level. As the US Department of Agriculture reported yesterday, 1.04 million tons of US corn were sold last week for export. That was 37% more than in the week before and more than twice as much as the average over the previous four weeks. Export sales were last higher in mid-October. According to trade sources, the price premiums payable on corn for export have risen to \$1 a bushel as compared to the CBOT price. Several factors are likely to be responsible for this development. First, strong demand: the harvest in Mexico, the largest consumer of US corn, was disappointing due to drought, thus the import needs are correspondingly higher. China is also likely to continue buying US corn. What is more, the corn crop in Argentina, the second-largest corn exporter, will probably be significantly lower than expected as a result of the drought. Because this will mean at least a partial shortfall from one key supplier, demand for US corn will increase. The rising corn demand for ethanol production, on the other hand, means less corn is available for export.

Prices

Energy ¹⁾	current	1 day	1 week	1 month	1 year
Brent Blend	110.8	0.9%	0.8%	1.4%	14%
WTI	99.7	0.3%	1.2%	-1.6%	16%
Gasoline (95)	989.0	1.0%	0.9%	6.9%	18%
Gasoil	944.8	0.3%	1.4%	2.3%	16%
Diesel	960.8	0.1%	0.3%	3.1%	15%
Jet Fuel	1019.5	0.0%	0.4%	4.0%	15%
Gas Henry Hub	2.61	-4.5%	10.8%	-16.6%	-40%
Base metals ²⁾					
Aluminium	2277	1.1%	2.5%	12.7%	-6%
Copper, LME	8590	2.5%	4.0%	11.8%	-9%
Lead	2325	1.9%	5.8%	14.4%	-5%
Nickel	21600	3.2%	4.7%	15.7%	-19%
Tin	24005	6.9%	10.5%	25.1%	-17%
Zinc	2205	1.4%	8.6%	17.9%	-3%
Steel	517.5	-0.5%	-2.8%	-4.6%	-8%
Precious metals ³⁾					
Gold	1720.7	0.6%	3.1%	7.8%	31%
Gold (EUR)	1312.6	0.6%	1.7%	0.8%	37%
Silver	33.5	0.9%	3.8%	16.4%	24%
Platinum	1609.8	1.8%	4.6%	12.0%	-10%
Palladium	692.0	-0.1%	1.5%	3.8%	-15%
Agriculturals ¹⁾					
Wheat, LIFFE (EUR)	209.3	0.6%	5.4%	7.3%	-21%
Wheat, CBOT	653.5	1.9%	6.3%	0.6%	-23%
Corn	634.5	0.0%	4.0%	0.4%	-2%
Soybeans	1222.8	0.8%	2.8%	1.7%	-13%
Cotton	95.6	-1.4%	-2.9%	8.9%	-43%
Sugar	24.73	0.9%	0.5%	4.8%	-25%
Coffee Arabica	219.7	1.2%	-3.1%	0.0%	-7%
Cocoa	2452	1.2%	5.7%	10.6%	-27%

Inventories

Energy (US (DOE))*	current	1 day	1 week	1 month	1 year
Crude oil	334767	-	1.1%	3.5%	-2%
Gasoline	227130	-	-0.2%	4.0%	-1%
Distillates	145545	-	-1.7%	4.6%	-12%
Crude oil Cushing	28647	-	1.3%	-5.1%	-24%
Gas Henry Hub	3098	-	-5.8%	-14.6%	22%
Gasoil (ARA)	2427	-	14.5%	18.1%	-11%
Base metals**					
Aluminium LME	5000150	-0.1%	-0.1%	1.0%	10%
Shanghai	237425	-	4.6%	25.3%	-45%
Copper LME	337875	-0.6%	-3.8%	-9.2%	-14%
COMEX	90051	-0.3%	0.3%	2.8%	31%
Shanghai	131645	-	9.3%	65.5%	1%
Lead LME	344525	-0.4%	-1.2%	-3.3%	25%
Nickel LME	94452	0.4%	2.9%	4.9%	-30%
Tin LME	9665	-0.2%	-10.1%	-18.3%	-45%
Zinc LME	848500	-0.1%	1.0%	2.7%	19%
Shanghai	369698	-	0.6%	-1.2%	14%
Steel LME	67405	-0.5%	-0.9%	-7.3%	24%
Precious metals ***					
Gold	75864	0.1%	0.2%	0.4%	11%
Silver	562176	0.0%	-0.2%	0.5%	-1%
Platinum	1324	0.4%	1.6%	2.6%	4%
Palladium	1700	0.0%	2.5%	1.8%	-26%

Currencies 3)

EUR/USD	1.3109	0.0%	1.3%	0.3%	-5%
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Source: Bloomberg, Commerzbank Corporates & Markets

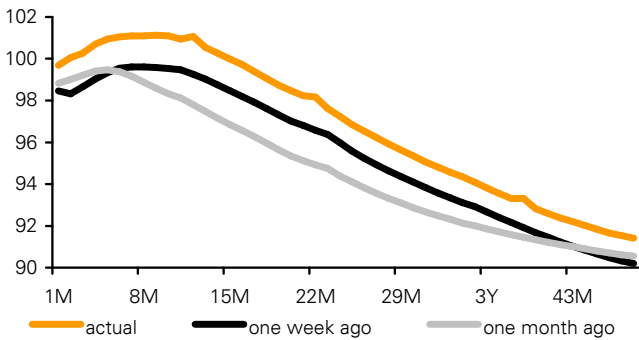
Percentage change on previous period

¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

* US inventories in '000 barrel, US nat gas inventories in billion cubic feet, ARA gasoil stocks in '000 tons, ** tons, *** ETF holdings in '000 ounces

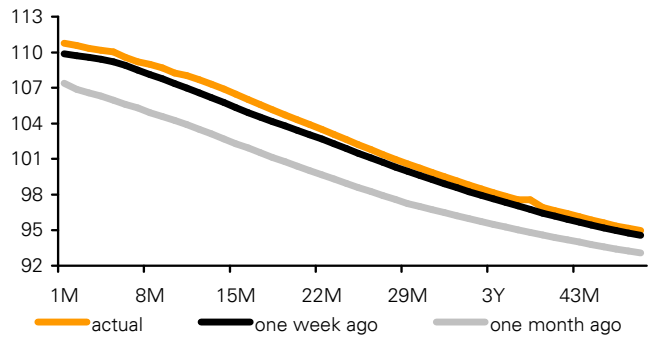
Forward curves for selected commodities: actual, one week and one month ago

GRAPH 1: Forward curve oil market (WTI)



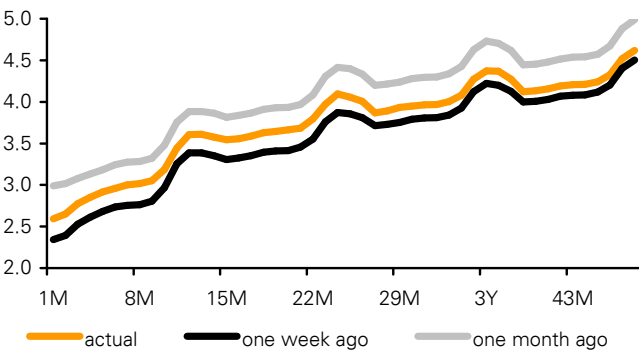
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve oil market (Brent)



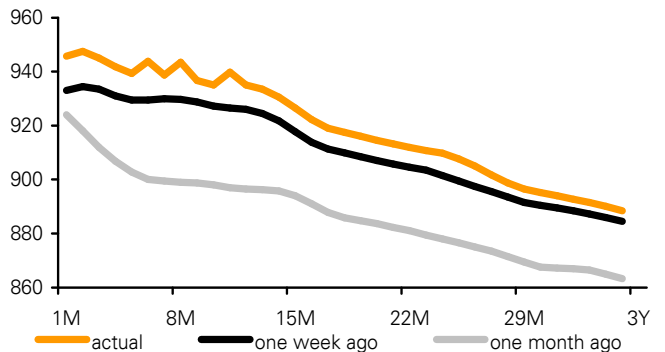
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve gas market (Henry Hub)



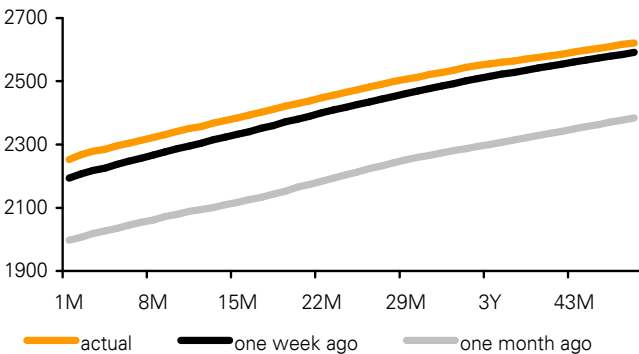
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve gasoil (ICE)



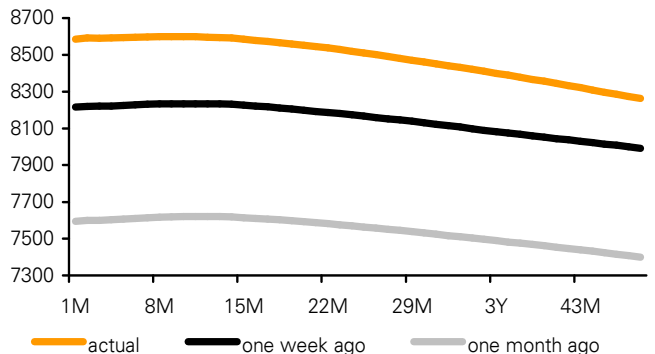
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve aluminium (LME)



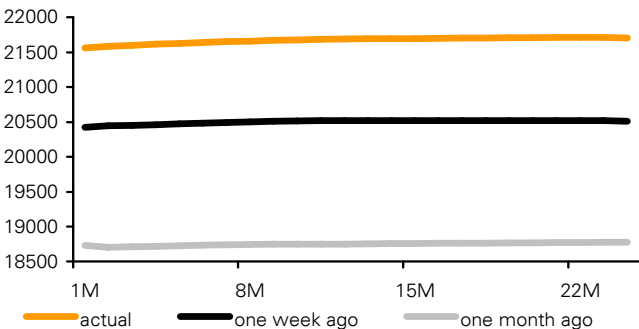
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve copper (LME)



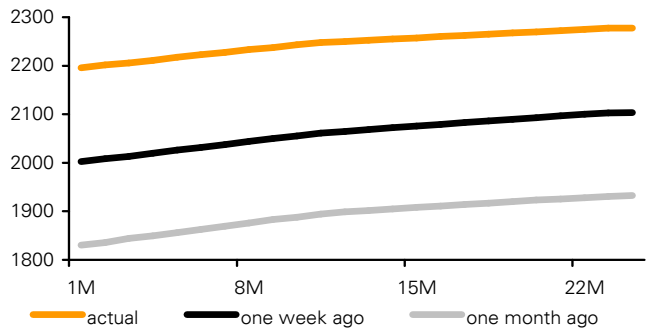
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Forward curve nickel (LME)



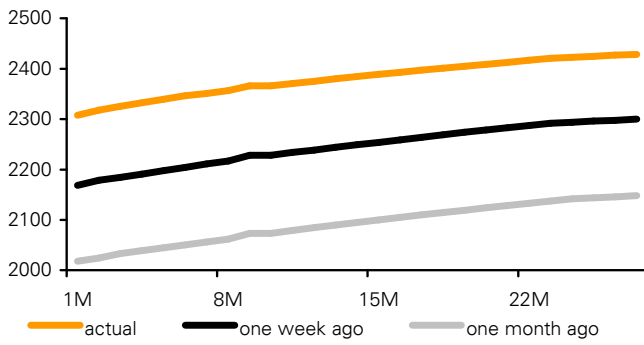
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve zinc (LME)



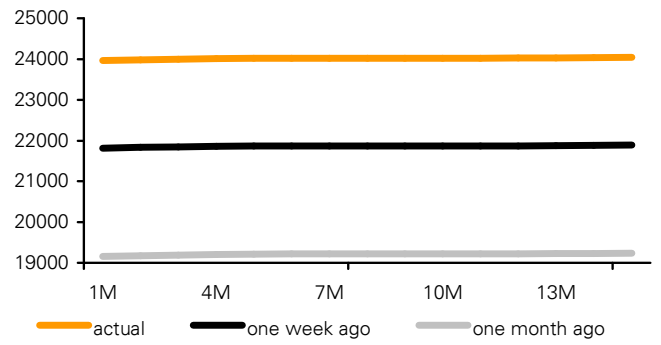
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve lead (LME)



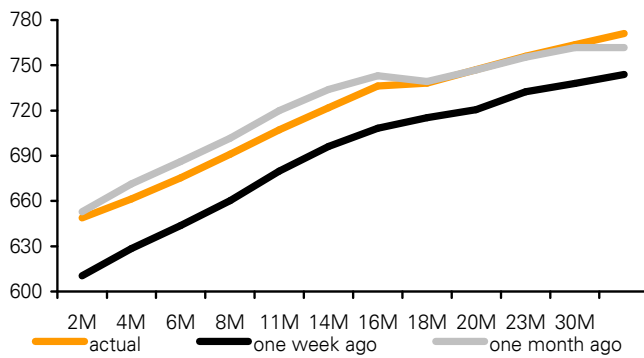
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve tin (LME)



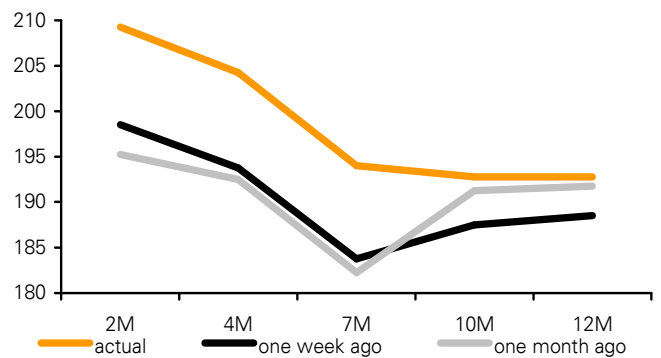
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve wheat (CBOT)



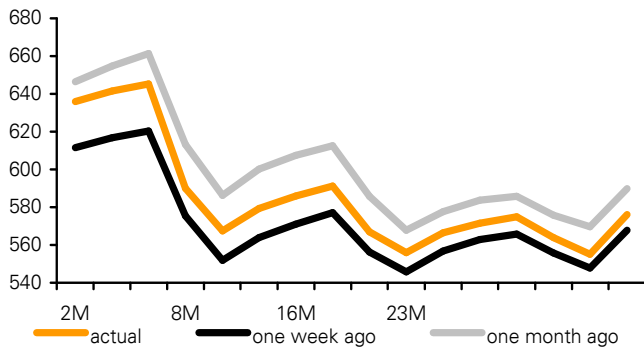
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve wheat (LIFFE)



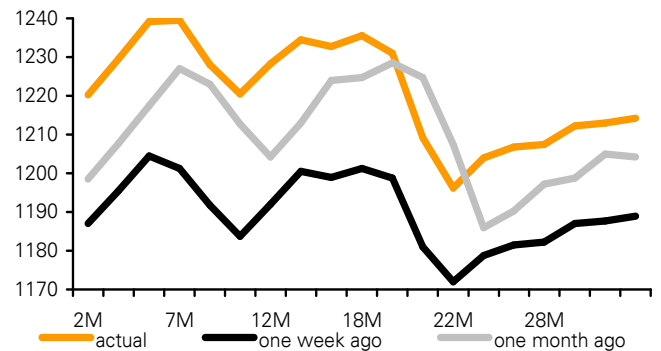
Source: LIFFE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve corn (CBOT)



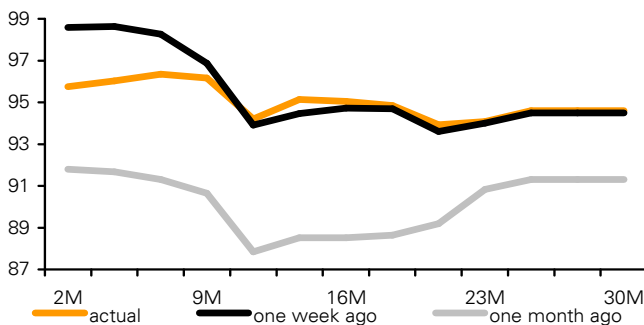
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve soybeans (CBOT)



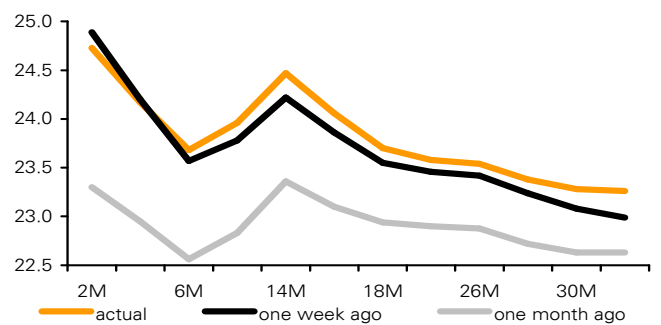
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 15: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 16: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

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