

Commodities Daily

05 November 2012

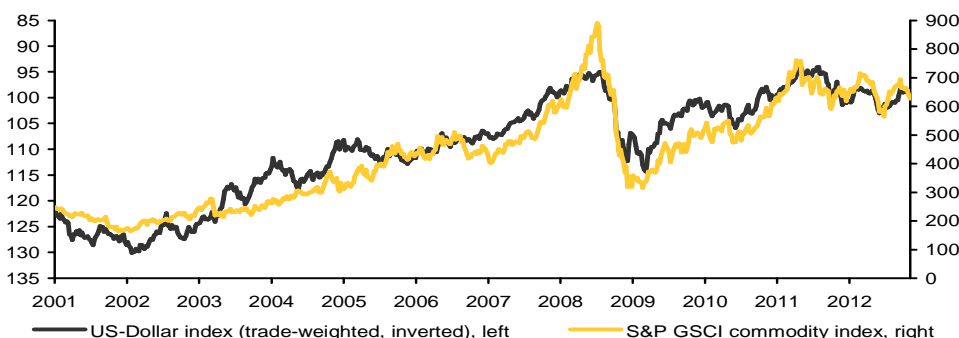
US dollar strong, not commodities weak

The commodities markets this week will be dominated by the US presidential elections on Tuesday and the 18th National People's Congress of the Communist Party of China on Thursday. We expect both events to give markets a positive boost. Even if Obama is clearly "favoured" by the commodities markets, mainly because of his support for Ben Bernanke and the ultra-expansionary monetary policy of the US Fed, any "disappointment" if Romney should come out on top is likely to be short-lived, for uncertainty will diminish nonetheless and consumption should pick up again in the mid-term. We expect the new leadership in China to undertake further economic support measures which will have a positive impact on commodities.

Energy: Positive US economic data last Friday have brought severe pressure to bear on commodity and oil prices. The data are also likely to increase Obama's chances of winning the US presidential elections, which would tend to benefit the oil price. Though this may sound paradoxical, it can be explained by the strength of the US dollar, for the correlation between the US dollar and commodity prices remains high (Chart of the Day). The better-than-expected US labour market data diminish hopes of the Fed expanding the QE3 programme, which lends support to the US dollar but weighs on commodity prices. The action taken by the US government to ease the supply situation on the US East Coast in the wake of Hurricane Sandy is also likely to have contributed to the price weakness among energy sources. In anticipation, money managers have already further reduced their net long positions in the US oil type WTI, bringing them to below 98 thousand contracts of 1,000 barrels each for the first time since September 2010. In the medium term, the currently low levels of optimism among investors should lend support to oil prices.

Precious metals: As the new week begins, precious metal prices have so far hardly recovered at all from the significant losses they suffered last Friday. On the back of good US economic data and a noticeably appreciated US dollar as a result, precious metals came under severe pressure and were amongst the biggest losers. Gold slipped below the \$1,700 per troy ounce mark again for the first time in nearly two months and this morning is trading at around \$1,680. In euro terms the decrease was not quite as pronounced, the price holding its own above the €1,300 per troy ounce mark. Silver actually shed more than 4% on Friday, and this morning is trading at below \$31 per troy ounce. This also means that the situation for silver from a technical perspective looks fraught, so we may well see follow-up selling. Prices are also burdened by the negative sentiment among financial investors. In the week to 30 October, they further cut their bets on rising prices. In the case of gold, net long positions were reduced by 7.6% to 135.4 thousand contracts, putting them at their lowest level for eight weeks. While silver and platinum saw reductions on a similar scale, net long positions in palladium were slashed 20% to a 10-week low. Thus the process of market adjustment, which we see as a positive thing, is continuing for all precious metals – after all, once the "shaky hands" have been driven out of the market, prices should be able to resume their upswing.

CHART OF THE DAY: Commodity prices remain closely correlated to US dollar



Source: S&P GSCI, Bloomberg, Commerzbank Corporates & Markets

Speculative market positioning (net)

30-Oct	'000 contracts	Weekly change
WTI	97.963	-14.976
Henry Hub	85.407	2.649
Gasoline	71.860	-3.594
Gold	135.428	-11.208
Silver	29.110	-2.506
Platinum	31.263	-3.369
Palladium	6.073	-1.543
Copper	6.964	-11.103
Wheat	45.186	-6.206
Corn	260.552	-35.692
Soybeans	169.866	-11.167
Cotton	13.140	-11.846
Coffee	-13.460	-1.538
Cocoa	31.429	1.215
Sugar	33.453	-12.564

Source: CFTC, Bloomberg

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

research.commerzbank.com

Bloomberg: CBIR

Base metals: Despite good economic data in the US – the labour market report turned out to be considerably better than expected on Friday – base metal prices also found themselves under pressure at the end of last week. Most of the losses were doubtless due to the US dollar, which appreciated significantly against the euro. The renewed flaring up of fears about Greece are also likely to have contributed to the weakness exhibited by metals. Copper shed around 2% as a result, and is trading slightly further down at \$7,600 per ton as the new week begins. This is its lowest level since the beginning of September. The persistent pessimism displayed by money managers is also weighing on prices – in the case of copper, net long positions were decimated by 62% in the week to 30 October to just 7 thousand contracts, putting them at their lowest level for eight weeks. Given that the price of copper also fell after the reporting date, bets on climbing prices are likely to have been reduced even further in the meantime. That said, the low level now reached by net long positions give us grounds for optimism, for prices are likely to rise significantly again if sentiment shifts on the markets. Metals could also find support from the Chinese economic data due for publication at the end of the week, assuming these no longer turn out to be a negative surprise. As the week progresses, the uncertainty on the markets should gradually diminish once the presidential elections take place in the US and the National People's Congress opens in China.

Agriculturals: As anticipated, investors recently reduced their net long positions in cotton again by nearly 12 thousand contracts, i.e. nearly by half, having topped them up to their highest level since September 2011 just a week earlier. After fears of sudden quality-related bottlenecks of US cotton had largely abated, the price of cotton had temporarily plummeted to a five-week low. Rising stocks on the ICE exchange also exerted pressure on prices. The prospect of Chinese imports falling by half this season is likewise dampening the price outlook. Now, however, the International Cotton Advisory Committee (ICAC) has pointed out that the Chinese government's buying up of cotton at twice the global market price is shoring up domestic prices, which in turn is weighing considerably on the profitability of cotton processing in the country. Textile companies are thus increasingly resorting to imported yarn. Competitors within the global textiles industry such as Pakistan, Vietnam, India, Bangladesh and Thailand could thus expand their market shares. Their increased demand could compensate for part of the lower Chinese cotton imports. That said, imports are still expected to fall by 2 million tons overall. Because production prospects are fairly positive and demand is not particularly dynamic just now, global stocks in the 2012/13 season are likely to soar to a record 16.4 million tons. This estimate of the ICAC is still considerably lower than that of the USDA, however, which forecasts ending stocks of 17.2 million tons.

Prices

Energy 1)	current	1 day	1 week	1 month	2012
Brent Blend	105.7	-2.3%	-3.5%	-5.7%	-2%
WTI	84.9	-2.6%	-0.8%	-5.6%	-14%
Gasoline	946.0	-0.4%	-0.4%	-13.8%	2%
Gasoil	923.0	-1.8%	-5.3%	-6.0%	-1%
Diesel	976.8	-1.4%	-3.6%	-5.1%	4%
Jet fuel	989.8	-1.6%	-4.0%	-6.3%	1%
Natural gas	3.55	-3.9%	1.3%	3.5%	18%
Base metals 2)					
Aluminum	1925	-0.8%	0.8%	-9.4%	-5%
Copper	7665	-2.1%	-1.0%	-8.1%	0%
Lead	2095	-1.5%	3.6%	-9.1%	2%
Nickel	15975	-2.0%	-0.8%	-13.4%	-15%
Tin	20160	-1.1%	2.8%	-10.3%	5%
Zinc	1874	-0.8%	1.5%	-10.7%	0%
Steel	355	0.0%	-1.1%	0.0%	-34%
Precious metals 3)					
Gold	1678.1	-2.1%	-1.9%	-5.8%	7%
Gold (EUR)	1307.1	-1.3%	-1.0%	-0.4%	9%
Silver	30.9	-4.2%	-3.0%	-10.7%	11%
Platinum	1543.5	-1.8%	0.4%	-9.7%	10%
Palladium	601.8	-1.9%	1.3%	-9.4%	-9%
Agriculturals 1)					
Wheat MATIF	268.8	0.4%	1.7%	3.7%	33%
Wheat CBOT	864.5	-0.5%	1.2%	1.3%	33%
Corn	739.5	-1.5%	0.4%	-1.0%	15%
Soybeans	1526.8	-2.1%	-0.8%	-2.3%	26%
Cotton	70.4	0.2%	-3.2%	-1.7%	-23%
Sugar	19.45	0.1%	0.3%	-9.7%	-16%
Coffee Arabica	154.7	0.8%	-1.9%	-15.8%	-32%
Cocoa	2447	1.1%	2.7%	-1.1%	16%
Currencies 3)					
EUR/USD	1.2835	-0.8%	-0.9%	-1.9%	-1%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	373081	-	-0.6%	2.2%	10%
Gasoline	199502	-	0.5%	1.9%	-3%
Distillates	117925	-	-0.1%	-7.7%	-17%
Ethanol	19215	-	2.4%	-0.2%	12%
Crude oil Cushing	43394	-	-1.5%	-0.8%	35%
Natural gas	3908	-	1.7%	9.3%	3%
Gasoil (ARA)	2032	-	8.1%	-10.2%	12%
Gasoline (ARA)	598	-	16.3%	7.2%	-9%
Base metals **					
Aluminum LME	5085050	0.3%	0.6%	0.5%	12%
Shanghai	450788	-	1.3%	12.1%	270%
Copper LME	242975	1.4%	10.5%	8.4%	-43%
COMEX	56723	0.0%	1.0%	13.8%	-37%
Shanghai	197937	-	2.7%	21.8%	136%
Lead LME	320700	-0.6%	3.3%	22.4%	-17%
Nickel LME	130182	-0.1%	0.9%	5.1%	50%
Tin LME	11985	0.8%	2.0%	0.2%	-25%
Zinc LME	1170025	0.0%	2.4%	17.5%	51%
Shanghai	298806	-	-0.5%	-1.0%	-19%
Steel LME	103285	-0.4%	-7.0%	96.2%	64%
Precious metals ***					
Gold	83255	0.0%	0.2%	1.5%	12%
Silver	594324	0.1%	0.4%	-0.1%	6%
Platinum	1500	-0.2%	-0.4%	-1.4%	9%
Palladium	1877	-1.9%	-0.1%	-1.8%	3%

Source: DOE, PJK, LME, COMEX, SHFE, Bloomberg, Commerzbank Corporates & Markets

Percentage change on previous period

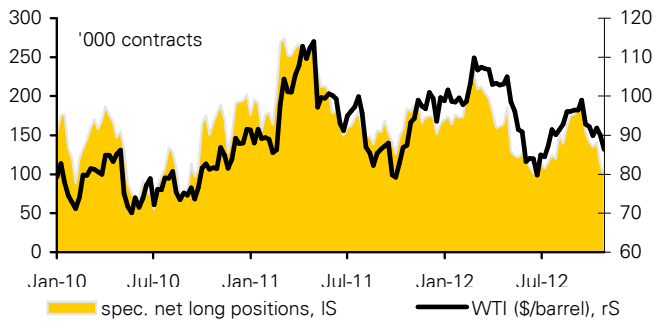
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

* US inventories of crude oil, oil products and ethanol in '000 barrel, US natural gas inventories in billion cubic feet, ARA stocks in '000 tons

** tons, *** ETF holdings in '000 ounces

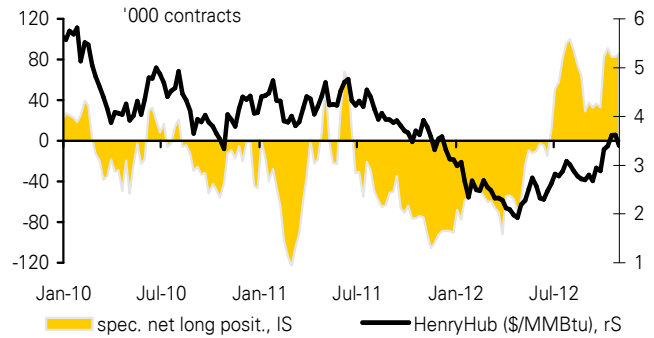
Net long positions of money managers vs. price

GRAPH1: Crude oil (WTI)



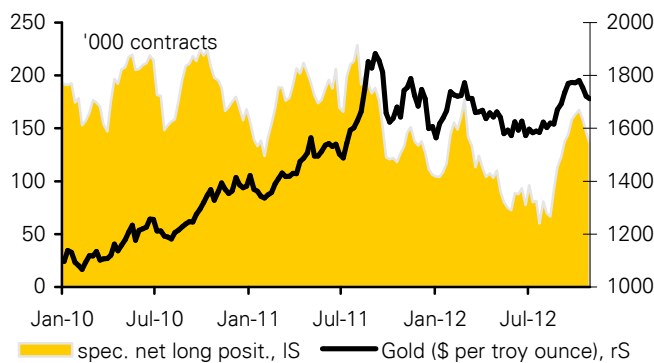
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Natural gas (Henry Hub; futures and swaps)



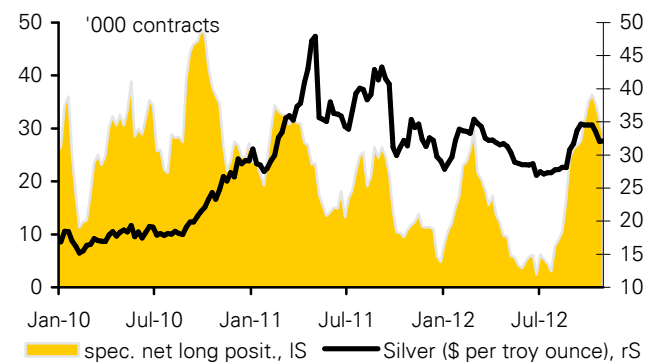
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Gold



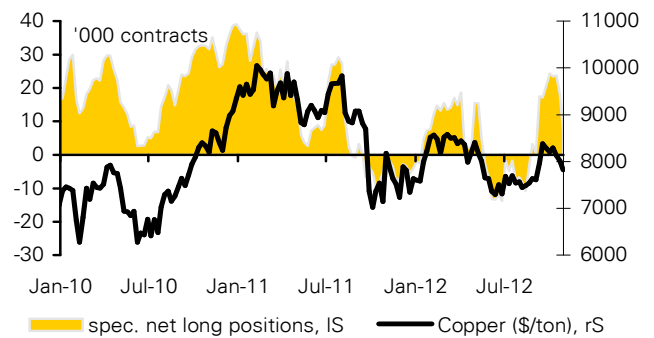
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Silver



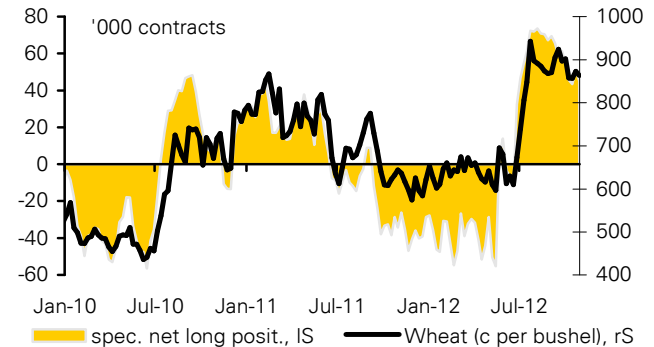
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Copper



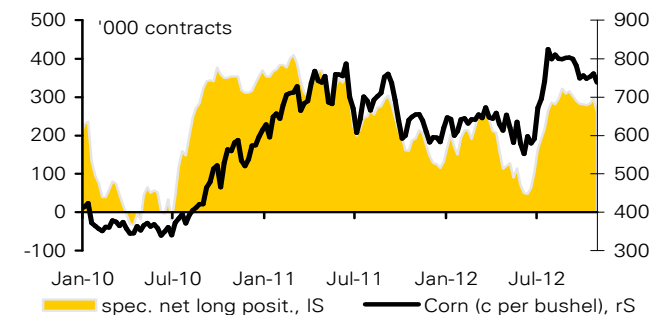
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Wheat



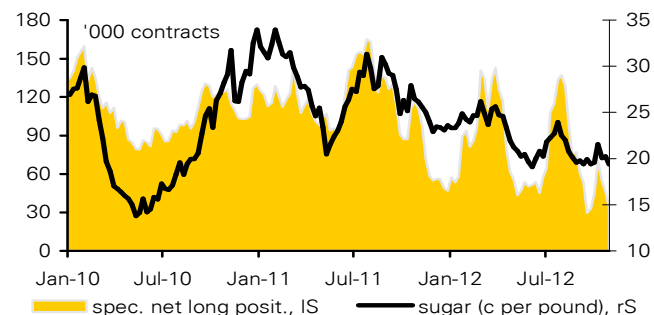
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Corn



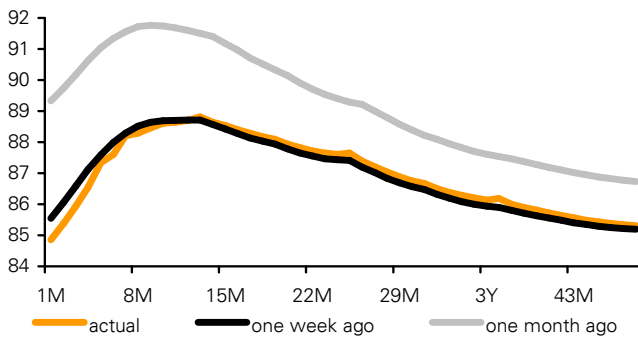
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Sugar



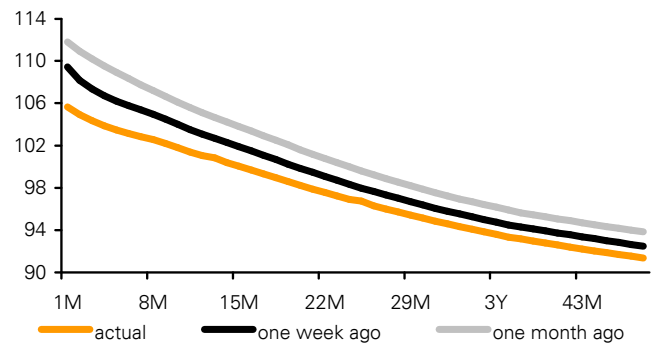
Source: CFTC; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve oil market (WTI)



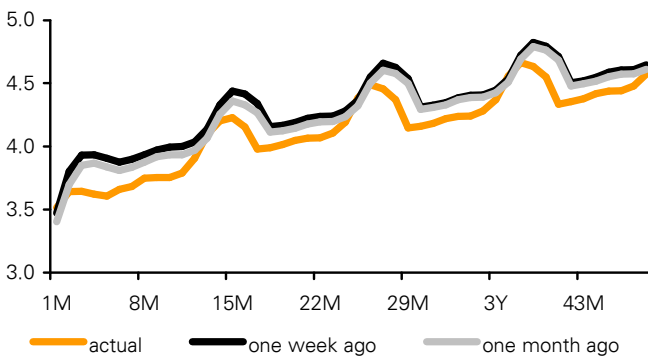
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve oil market (Brent)



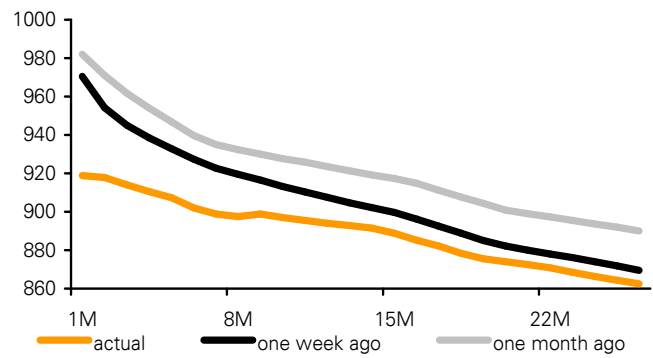
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve gas market (Henry Hub)



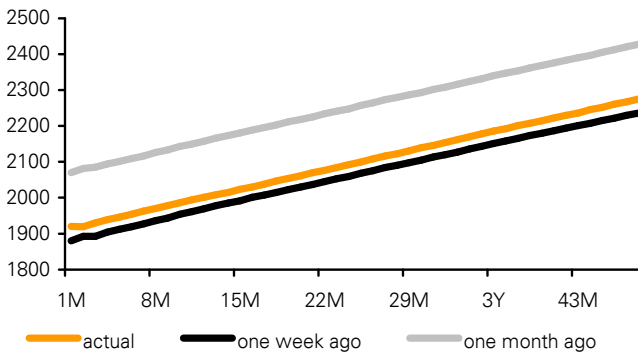
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve gasoil (ICE)



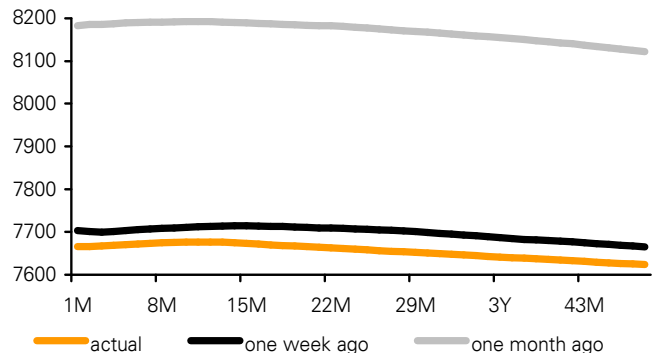
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve aluminium (LME)



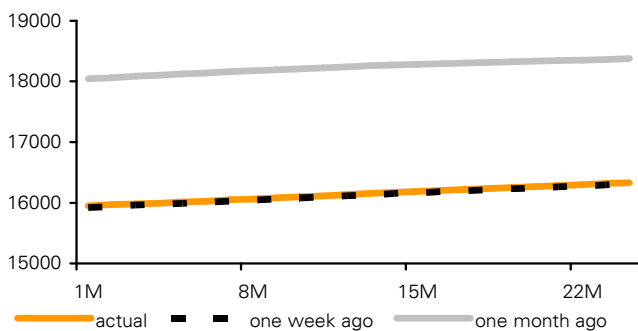
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve copper (LME)



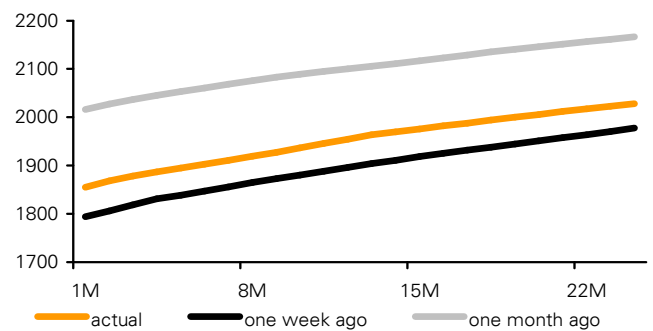
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 15: Forward curve Nickel (LME)



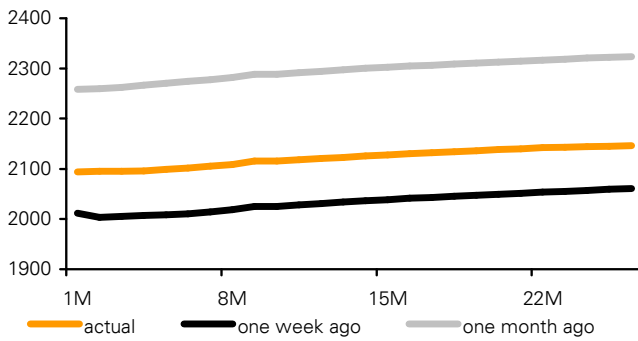
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 16: Forward curve zinc (LME)



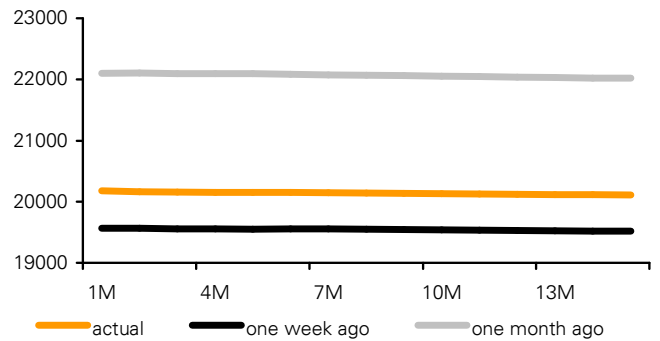
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 17: Forward curve lead (LME)



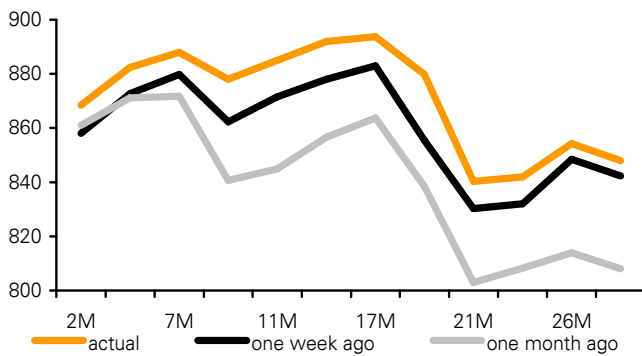
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 18: Forward curve tin (LME)



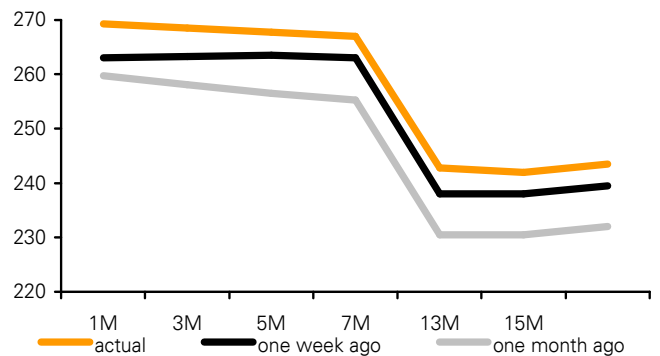
Source: LME, Bloomberg, Commerzbank Corporates & Markets

GRAPH 19: Forward curve wheat (CBOT)



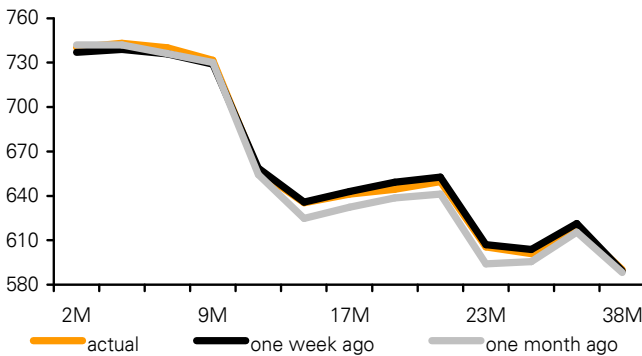
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 20: Forward curve wheat (MATIF)



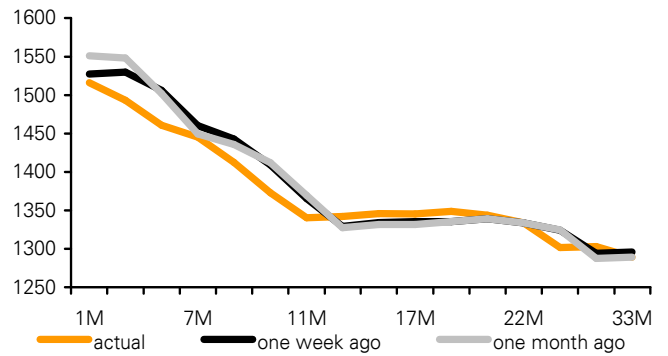
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 17 Forward curve corn (CBOT)



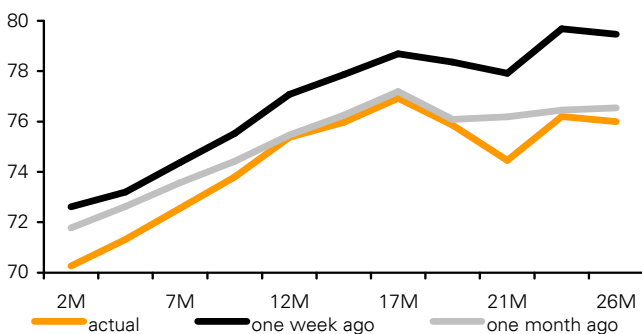
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 22: Forward curve soybeans (CBOT)



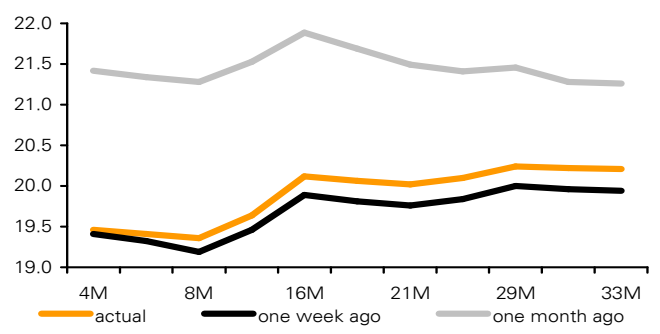
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 23: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 24: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank Corporates & Markets is the investment banking division of Commerzbank, integrating research, debt, equities, interest rates and foreign exchange.

The author(s) of this report, certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The analyst(s) named on this report are not registered / qualified as research analysts with FINRA and are not subject to NASD Rule 2711.

Disclaimer

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgement of the author(s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favourable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Additional notes to readers in the following countries:

Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany.

United Kingdom: This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Services Authority. Details on the extent of our regulation by the Financial Services Authority are available from us on request. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.

United States: This document has been approved for distribution in the US under applicable US law by Commerz Markets LLC ("Commerz Markets"), a wholly owned subsidiary of Commerzbank AG and a US registered broker-dealer. Any securities transaction by US persons must be effected with Commerz Markets. Under applicable US law; information regarding clients of Commerz Markets may be distributed to other companies within the Commerzbank group. This report is intended for distribution in the United States solely to "institutional investors" and "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Commerz Markets is a member of FINRA and SIPC.

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

European Economic Area: Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA.

Singapore: This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor as defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 of the SFA.

Hong Kong: This document is furnished in Hong Kong by Commerzbank AG, Hong Kong Branch, and may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Japan: Commerzbank AG, Tokyo Branch is responsible for the distribution of Research in Japan. Commerzbank AG, Tokyo Branch is regulated by the Japanese Financial Services Agency (FSA).

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

© Commerzbank AG 2012. All rights reserved. Version 9.14

Commerzbank Corporates & Markets

Frankfurt	London	New York	Singapore Branch	Hong Kong Branch
Commerzbank AG	Commerzbank AG London Branch	Commerzbank AG	Commerzbank AG	Commerzbank AG
DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt Tel: + 49 69 13621200	PO BOX 52715 30 Gresham Street London, EC2P 2XY Tel: + 44 207 623 8000	2 World Financial Center, 31st floor New York, NY 10281 Tel: + 1 212 703 4000	8, Shenton Way, #42-01 Singapore 068811 Tel: +65 63110000	29/F, Two IFC 8 Finance Street Central Hong Kong Tel: +852 3988 0988