

Commodities Daily

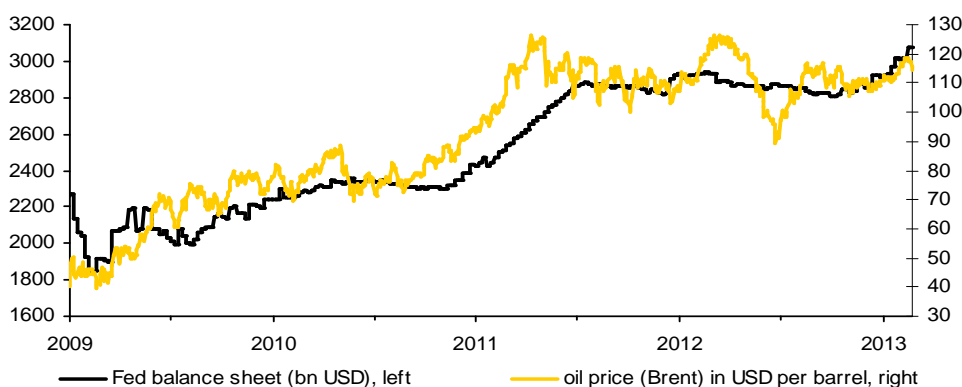
21 February 2013

Prices nosedive on the commodities markets

Energy: Oil prices fell by \$2 per barrel yesterday, and are continuing their downward spiral this morning. Brent is trading at a three-week low of \$114.5 per barrel and WTI at a five-week low of \$93.5 per barrel. The extremely high trading volume on the oil market – which in the case of WTI was 70% above the 100-day moving average yesterday, and in the case of Brent was even more than twice as high – suggests that financial investors, and allegedly even a hedge fund, have liquidated long positions. The sell-off continued after the minutes of the most recent Fed meeting were published in the evening, signalling a possible premature end to bond purchases, a key driver of oil prices in recent years. Given the reversal of sentiment, the report that Saudi Arabia may increase its oil production in the second quarter is also being interpreted negatively. The reason for this is growing demand from China, which by no means constitutes bad news for the oil price. In recent months, Saudi Arabia had scaled back its oil production by 1 million to 9 million barrels per day, citing weaker demand as the reason. Thus the increased supply from Saudi Arabia is more likely to prevent a price increase than justify a price slide. According to the API's inventory report published yesterday, US crude oil stocks increased last week for the sixth time in seven weeks. They climbed by an additional 2.96 million barrels, and are at their highest level for this time of year since 1982, which is additionally weighing on the price of WTI. Today the US Department of Energy will be publishing its official inventory report.

Precious metals: Yesterday saw a proper sell-off on the precious metal markets. Gold shed 2.5% on a closing price basis and fell to below \$1,560 per troy ounce, hitting its lowest price for 7½ months. In euro terms, it even recorded a 16-month low of a good €1,170 per troy ounce. Other precious metals suffered even heavier losses than gold, some of them shedding more than 4% at times. The market was clearly overheated, especially in the case of platinum and palladium – where net long positions had recently been expanded to record levels – with the result that a consolidation process was necessary. The price drop was accompanied by an exceedingly high trading volume on the futures markets of the New York COMEX – with more than 280 thousand contracts in gold traded yesterday, for example. This is 67% higher than the average figure for the past six months. Normal trading volumes were surpassed by a good 160% in the case of silver, by nearly double in the case of platinum and by more than three-fold in the case of palladium. What is more, the world's largest gold ETF, the SPDR Gold Trust, reported outflows of close to 21 tons yesterday, its highest daily outflow for 18 months. Last but not least, yesterday evening saw publication of the minutes of the most recent meeting of the Federal Reserve – they suggest a shift in mentality within the US central bank. This could mean that the volume of bond purchases could already be reduced from mid-year, regardless of the recovery of the US labour market. This caused the US dollar to appreciate against the euro, bringing additional pressure to bear on prices.

CHART OF THE DAY: Oil price profits from ultra-loose monetary policy, but for how long?



Source: Bloomberg, Commerzbank Corporates & Markets

US inventories crude oil / oil products

	API 15.2.	DOE Survey	8.2.
Crude oil	+2.96	+2.0	+0.56
Gasoline	-0.12	-0.9	-0.80
Distillates	-1.64	-1.8	-3.68
Utiliz. (%)	-1.30	-0.4	-0.40
Imports	+0.12	-	-0.06
Cushing	+0.55	-	-1.12

Weekly change in mm barrels, imports in mbpd,

Source: API, DOE, Bloomberg

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Bloomberg: CBIR

Base metals: The World Bureau of Metal Statistics yesterday confirmed the trend observed in recent months on the global metal markets, revealing that the copper, lead and tin markets were in supply deficit in 2012. While the previous year's surpluses were reduced in the case of aluminium and zinc, a supply surplus of 117 thousand tons built up on the nickel market.

Prices for rebar have been climbing again in China since the beginning of the week. At CNY 3,881 per ton (equivalent to roughly \$622 per ton), the spot price has achieved its highest level for seven months. In the wake of the New Year's festivities, more and more traders and end-users are returning to the market and buying more and more rebar. Especially the fact that numerous construction projects have been resumed now that the New Year celebrations are over is likely to lend buoyancy to demand. So far, the higher prices in China have not had any positive impact on the prices of LME steel. The steel billets traded on the London Metal Exchange are comparable to rebar. In the past, Chinese prices always proved to be a good indicator for steel prices on the LME, though this correlation has become noticeably less pronounced since the middle of last year. Evidently the LME has not yet succeeded in regaining the lost trust of market players in this steel contract. As a result, the LME steel price may in future profit to only a disproportionately low extent – if at all – from any increase in the Chinese prices.

Agriculturals: According to a Bloomberg survey, the US corn acreage looks set to climb this year to its highest level since 1927, giving rise to a record US corn production of 13.9 billion bushels. At its annual outlook forum, the US Department of Agriculture will today be announcing its latest forecasts for planting and harvest volume. In early February, the USDA assumed a somewhat lower acreage. Thanks to higher per-acre yields, however, a record harvest of 14.4 billion bushels looks like being achieved nonetheless. If the USDA likewise increases its acreage estimate, a crop of 14.7 billion bushels could even be achieved. This would result in a considerable supply surplus and permit the severely depleted stocks to be replenished. This will only be the case, however, if the weather does not throw a spanner in the works yet again. Expectations were similarly high a year ago, but extreme drought meant that crop estimates then had to be revised hugely downwards from the summer. Instead of a record harvest, a 13% decline to a six-year low was the outcome. If current forecasts actually prove correct, significantly lower prices can be expected. According to the forward curve, the new crop will be traded at \$5.6 per bushel, which is \$1.3 down on the current price.

Prices

Energy 1)	current	1 day	1 week	1 month	1 year
Brent Blend	115.6	-1.6%	-2.6%	2.8%	-6%
WTI	95.2	-2.3%	-2.8%	-1.3%	-11%
Gasoline	1105.0	-0.7%	1.4%	12.9%	3%
Gasoil	996.0	-0.4%	-2.2%	2.6%	-2%
Diesel	1011.0	-0.3%	-1.3%	4.6%	-2%
Jet fuel	1084.0	-0.6%	-1.3%	4.5%	1%
Natural gas	3.28	0.2%	-1.3%	-8.5%	24%
Base metals 2)					
Aluminum	2103	-0.4%	-3.7%	1.8%	-8%
Copper	7960	-1.1%	-4.2%	-2.0%	-7%
Lead	2350	-1.1%	-3.7%	0.7%	9%
Nickel	17170	-1.3%	-8.1%	-3.6%	-17%
Tin	23725	-0.8%	-6.3%	-7.0%	-4%
Zinc	2133	-1.0%	-3.6%	3.9%	4%
Steel	305	0.0%	1.7%	-6.2%	-39%
Precious metals 3)					
Gold	1564.6	-2.5%	-2.7%	-7.3%	-11%
Gold (EUR)	1178.0	-1.7%	-3.4%	-0.7%	-11%
Silver	28.6	-3.1%	-4.5%	-11.1%	-17%
Platinum	1646.8	-2.8%	-3.2%	-2.9%	-4%
Palladium	738.7	-3.3%	-4.0%	1.4%	3%
Agriculturals 1)					
Wheat MATIF	243.8	-0.5%	0.6%	-1.7%	12%
Wheat CBOT	738.5	0.9%	0.0%	-7.0%	16%
Corn	700.5	0.8%	0.6%	-3.8%	11%
Soybeans	1482.8	0.9%	4.0%	3.6%	16%
Cotton	82.3	0.1%	1.6%	4.5%	-10%
Sugar	18.35	-0.2%	0.5%	-0.3%	-28%
Coffee Arabica	141.0	3.3%	0.2%	-9.8%	-30%
Cocoa	2127	-0.1%	-2.4%	-6.9%	-11%
Currencies 3)					
EUR/USD	1.3283	-0.8%	-0.8%	-0.4%	0%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	372245	-	0.2%	3.0%	10%
Gasoline	233236	-	-0.3%	0.1%	0%
Distillates	125904	-	-2.8%	-3.7%	-12%
Ethanol	19500	-	-3.0%	-1.8%	-9%
Crude oil Cushing	50242	-	-2.2%	0.3%	55%
Natural gas	2527	-	-5.9%	-23.8%	-8%
Gasoil (ARA)	2538	-	10.0%	19.0%	-9%
Gasoline (ARA)	740	-	-12.2%	-1.9%	-7%
Base metals **					
Aluminum LME	5151950	-0.1%	0.1%	-0.7%	1%
Shanghai	429551	-	1.2%	-3.9%	40%
Copper LME	412950	0.4%	3.5%	19.6%	35%
COMEX	74932	0.2%	0.0%	2.8%	-17%
Shanghai	196699	-	-0.2%	-4.7%	-1%
Lead LME	288575	0.1%	0.4%	-2.5%	-24%
Nickel LME	153306	-0.1%	-0.4%	3.7%	58%
Tin LME	13325	0.1%	-0.2%	3.5%	32%
Zinc LME	1193250	0.2%	0.4%	-2.6%	40%
Shanghai	318804	-	-1.3%	2.2%	-15%
Steel LME	83070	0.0%	0.0%	0.0%	15%
Precious metals ***					
Gold	83501	-0.2%	-0.5%	-0.7%	9%
Silver	627284	0.0%	0.2%	-1.0%	11%
Platinum	1644	-0.4%	-0.1%	0.9%	22%
Palladium	2126	0.0%	1.5%	3.7%	18%

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

Percentage change on previous period

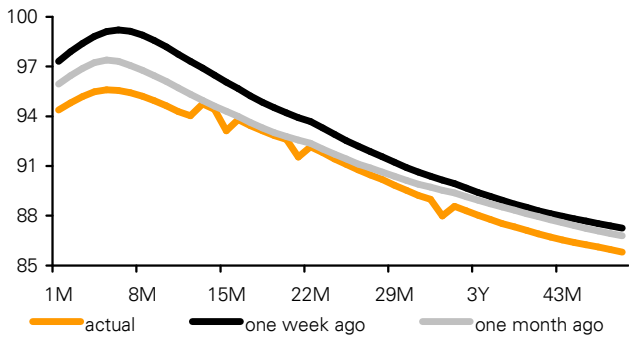
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

* 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

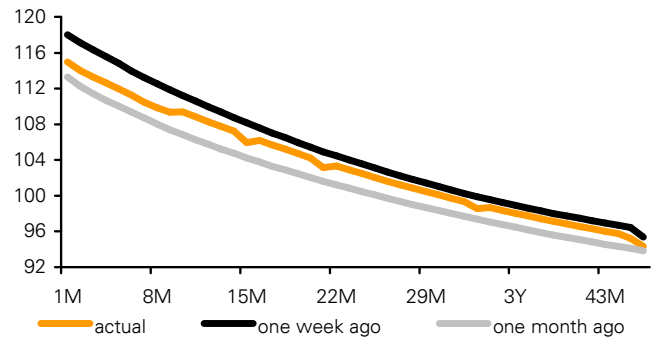
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



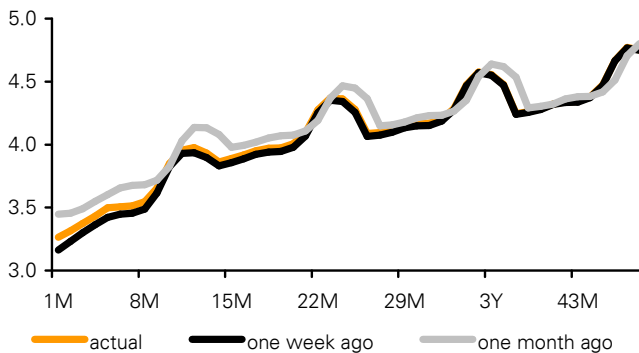
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve oil market (Brent)



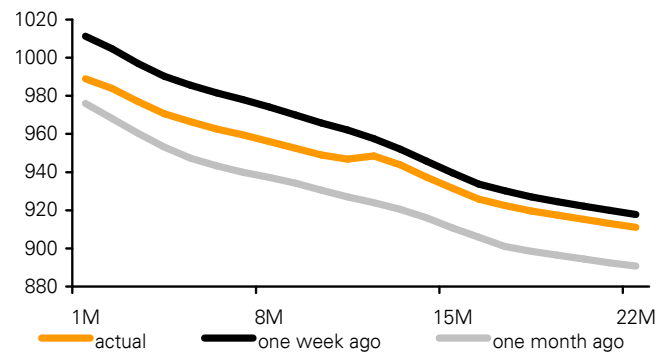
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve gas market (Henry Hub)



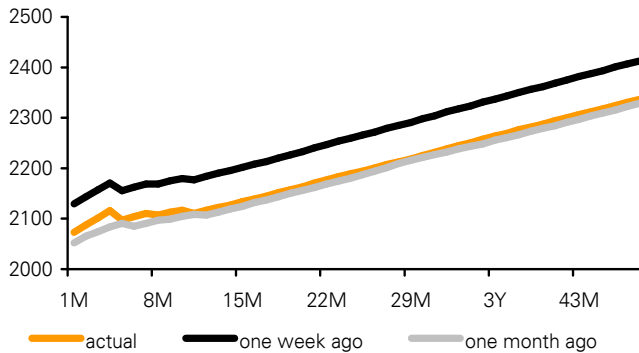
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve gasoil (ICE)



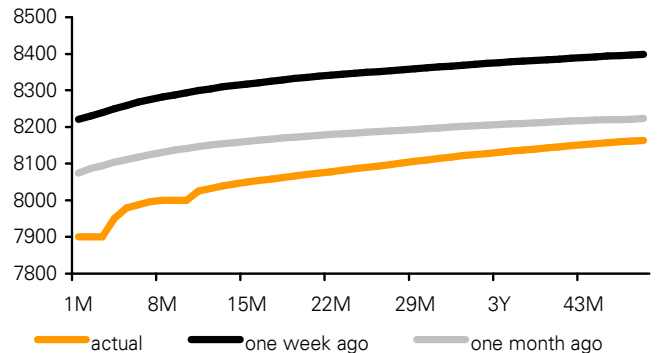
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve aluminium (LME)



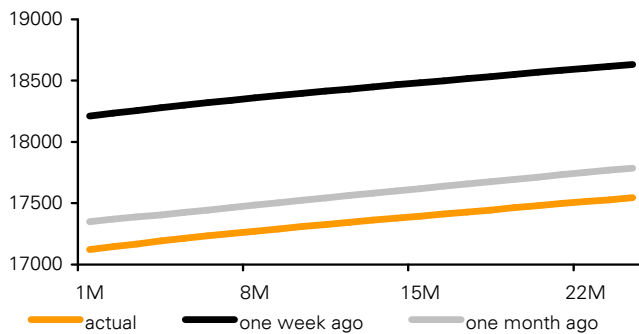
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve copper (LME)



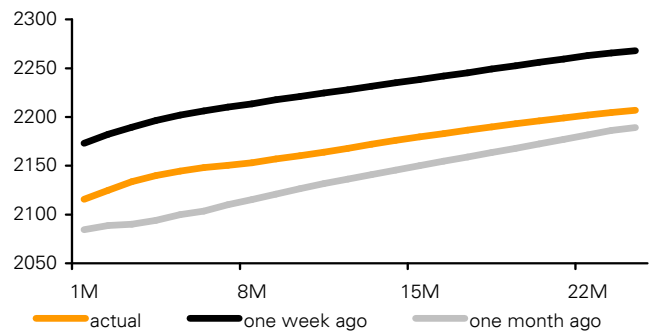
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Forward curve nickel (LME)



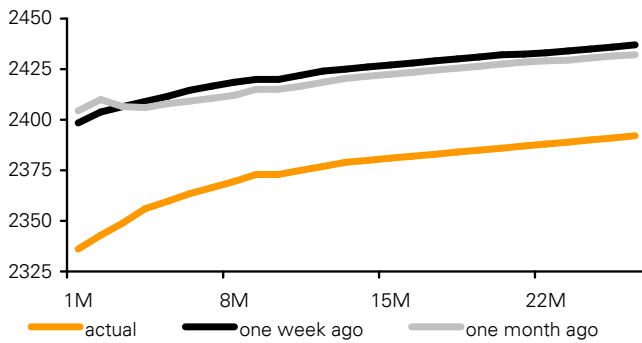
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve zinc (LME)



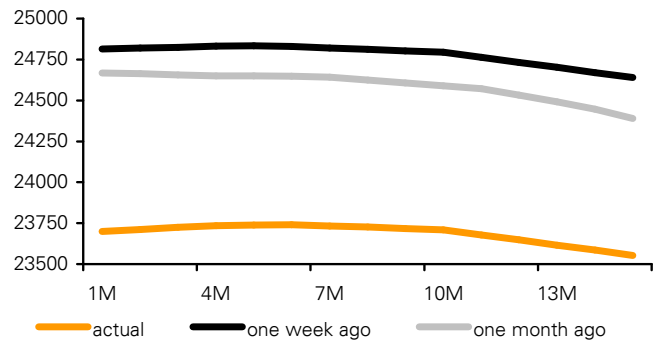
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve lead (LME)



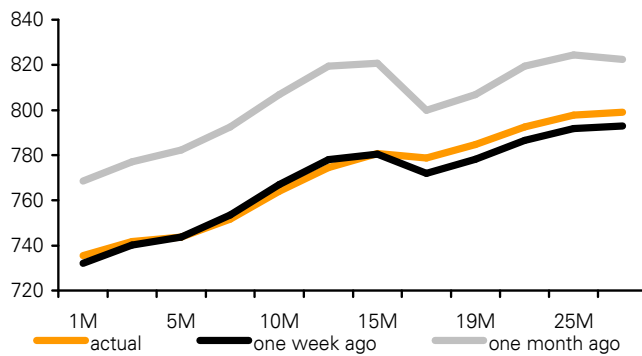
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve tin (LME)



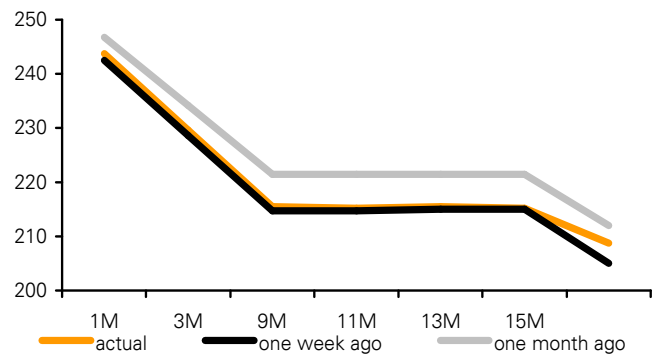
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve wheat (CBOT)



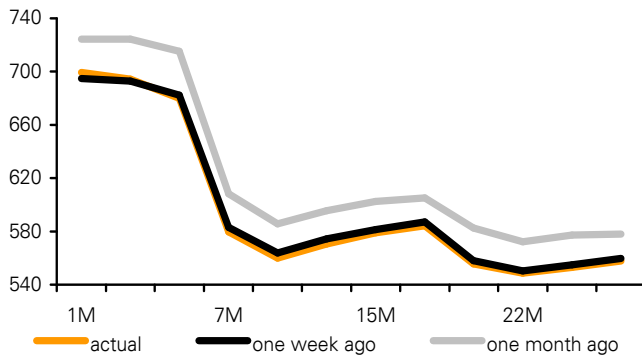
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve wheat (MATIF)



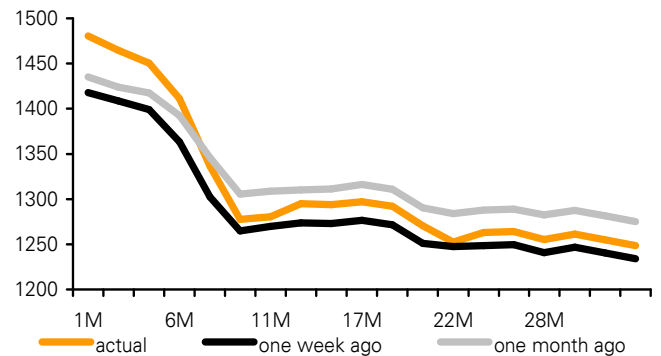
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve corn (CBOT)



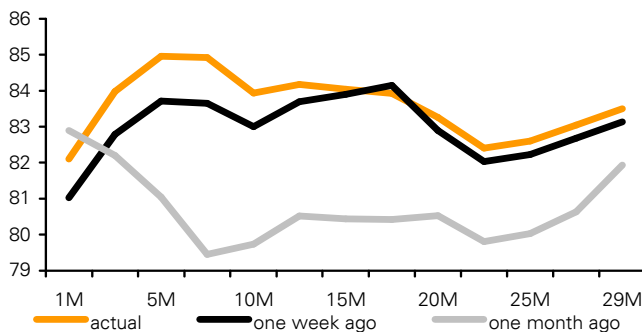
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve soybeans (CBOT)



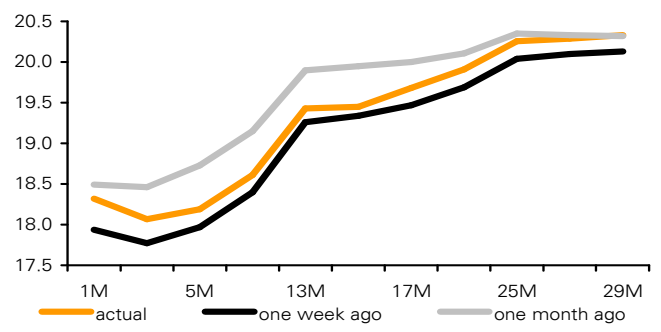
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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