COMMERZBANK

Commodities Daily

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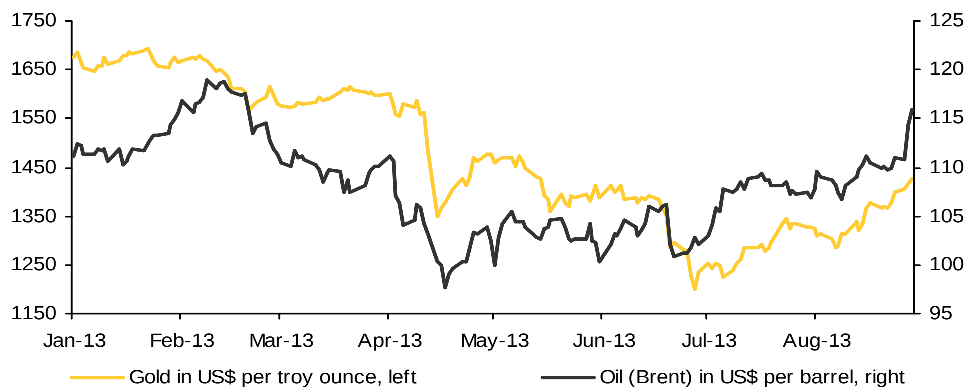
Syrian conflict keeps markets on tenterhooks

Energy: Though it may have taken some time for the oil market to respond to the threat of a military strike against Syria, it has now done so with a vengeance: Brent rocketed by a good $6 to reach $117.3 per barrel for a time, while WTI surged to over $112 per barrel. Since the EU imposed its oil embargo in the autumn of 2011, Syria, whose oil production has already been on the decline since 1996 and even before the civil war broke out had fallen to only around 370 thousand barrels per day, has played hardly any part in the global oil supply. The risk, however, lies in the potential destabilization of the region. Iran, an ally of Syria, has warned against a military strike, as has Russia. Even Assad's opponents fear that a strike could strengthen the extremists. The latest price rise raises the question of just how much the price can continue to climb. This will doubtless depend on how events play out in the region, though two facts should be borne in mind: firstly, prices surged in the run-up to US military operations in both Gulf Wars (1990/91 and 2003) but came under pressure again in some cases when the military campaigns were actually launched. Secondly, as we mentioned yesterday, the upper limit of the corridor in which Brent has traded since the Arab Spring broke out is $120 per barrel, which is thus likely to pose a significant hurdle. News from the Libyan National Oil Corporation (NOC) that the country's production is probably below 200 thousand barrels per day at present has been forced into the background by the escalating Syrian conflict. It is far from irrelevant, however: after all, it means that Libyan oil production is more than 1 million barrels per day lower than back in May. That said, there is little risk of any genuine shortage given the recent rise in spare capacities on the oil market.

Precious metals: The escalating Syrian conflict (see Energy) is also having an impact on precious metal prices. Gold, for example, is in considerable demand as a safe haven in the face of the growing geopolitical risks and has risen this morning to a 3½-month high of over $1,430 per troy ounce. Silver is also being pulled up in gold's slipstream and, at more than $25 per troy ounce, has achieved its highest level since mid-April. That said, yesterday's price surge has not been reflected in ETF inflows: both the holdings of the gold ETFs tracked by Bloomberg and the silver ETFs remain virtually unchanged. In other words, the increase must have taken place primarily as a result of the futures market. A clearer picture should be provided by the CFTC's statistics on the market positioning of speculative financial investors, which are due to be published on Friday evening and will include data up to and including yesterday. Admittedly, the geopolitical uncertainty does justify the current high gold and silver prices – in our opinion, however, a certain potential for correction has also built up in the meantime. In South Africa meanwhile, a strike in the gold mining industry appears to be increasingly probable. This morning saw the radical AMCU union reject the latest offer from gold producers. Previously, the NUM union – which is regarded as moderate – had already issued an ultimatum, giving mining companies until Saturday to respond to the pay demands.

CHART OF THE DAY: Geopolitical risks drive up oil and gold prices



Source: Bloomberg, Commerzbank Corporates & Markets

US inventories crude oil / oil products

	API 23.8.	DOE Survey	16.8.
Crude oil	+2.5	+0.8	-1.43
Gasoline	-1.1	-1.4	-4.03
Distillates	+0.0	+0.6	+0.87
Utiliz. (%)	-	-0.3	+1.60
Imports	-	-	+0.03
Cushing	-0.9	-	-1.09

Weekly change in mm barrels, imports in mbpd,

Source: Reuters, DOE, Bloomberg

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Base metals: The geopolitical risks and the resulting increase in risk aversion among market players are also influencing base metal prices. In view of weak global equity markets, however, metals are holding their own relatively well. Copper, for instance, has fallen only slightly this morning and is trading at just shy of $7,300 per ton. The nickel price is likewise moderately down at around $14,400 per ton. The Indonesian government made several amendments this morning to its controversial export ban on ore minerals, due to come into force at the beginning of 2014. According to the minister for industry, mining companies will thus still be allowed to export unprocessed minerals if they are already building smelters in the country. Nonetheless, exports will be subject to a progressive duty, the level of which will depend on how close to completion the plants are. Given the precarious economic situation and the collapse of the Indonesian rupiah, the government had already lifted the export quotas for unprocessed minerals at the end of last week. This allowed the world market supply of metals such as nickel, copper, tin and bauxite to be increased. Essentially, Indonesia hopes that the export ban will mean that more raw materials are processed in this Southeast Asian country itself. This will increase the value of the exported goods, which in turn will have a positive impact on GDP growth.

Agriculturals: Cocoa prices yesterday responded negatively to reports of isolated rainfall in Ivory Coast. Although the rain does not mean an end to the drought, it is at least expected to bring some relief. The lack of moisture could have a negative impact on the main harvest which is to begin in October, and has been causing prices in London and New York to climb sharply since the beginning of the month. Ideally, what is needed right now is a good mixture of sunshine and rain to allow the pods to develop properly. Cocoa now costs £1,628 per ton again in London – a week ago it was still priced at £1,660 per ton. Unless there is more rainfall in the near future in West Africa, which accounts for two thirds of the global cocoa supply, the price is likely to rise again, especially given that a global market deficit is already not unlikely in the coming season too.

The markets for corn and soybeans are currently fluctuating between the realization that the US crops will be high in 2013 – and probably record-high in the case of corn – and the question of how severely the harvest may yet be damaged by high temperatures and dry conditions in the Midwest. Meanwhile, US farmers are already beginning to draw up their growing plans for 2014. According to a survey conducted by Farm Futures magazine, the wheat acreage is set to grow by 2%, as is the acreage for soybeans. The corn acreage, on the other hand, looks set to fall by a good 3% – which is no surprise in view of this year's relative price performance.

Prices

Energy 1)	**current**	**1 day**	**1 week**	**1 month**	**ytd**
Brent Blend	114.4	3.3%	5.4%	8.0%	4%
WTI	109.0	2.9%	6.4%	5.6%	20%
Gasoline	1047.0	0.3%	1.9%	3.8%	10%
Gasoil	963.0	2.3%	3.5%	6.6%	5%
Diesel	983.8	2.1%	2.3%	5.8%	4%
Jet fuel	1027.5	2.4%	2.7%	4.8%	2%
Natural gas ($/mmBtu)	3.53	0.6%	2.6%	-0.1%	6%
Base metals 2)					
Aluminum	1886.5	-0.3%	-2.0%	4.5%	-10%
Copper	7315	-0.6%	-0.7%	5.9%	-8%
Lead	2224	0.5%	-1.6%	7.9%	-5%
Nickel	14425	-0.7%	-2.7%	3.7%	-16%
Tin	21825	0.3%	-2.0%	10.7%	-8%
Zinc	1983	-0.2%	-1.3%	5.9%	-6%
Precious metals 3)					
Gold	1415.1	0.7%	4.2%	6.8%	-15%
Gold (€/oz)	1056.6	0.6%	4.1%	0.6%	-16%
Silver	24.5	0.6%	8.4%	24.0%	-18%
Platinum	1526.4	-1.5%	1.3%	7.3%	0%
Palladium	744.2	-0.6%	0.3%	2.7%	6%
Agriculturals 1)					
Wheat (LIFFE, €/t)	191.8	0.0%	3.9%	2.1%	-23%
Wheat CBOT	663.8	-0.4%	2.6%	2.4%	-14%
Corn	498.8	-2.7%	1.1%	2.6%	-28%
Soybeans	1370.5	-1.4%	5.7%	12.2%	-2%
Cotton	84.2	-0.9%	0.0%	-1.0%	12%
Sugar	16.46	-0.2%	0.6%	-0.3%	-16%
Coffee Arabica	116.8	-0.8%	-1.7%	-4.5%	-19%
Cocoa (LIFFE, £/t)	1628	-0.5%	-1.9%	3.9%	13%
Currencies 3)					
EUR/USD	1.3393	0.2%	0.1%	0.8%	1%

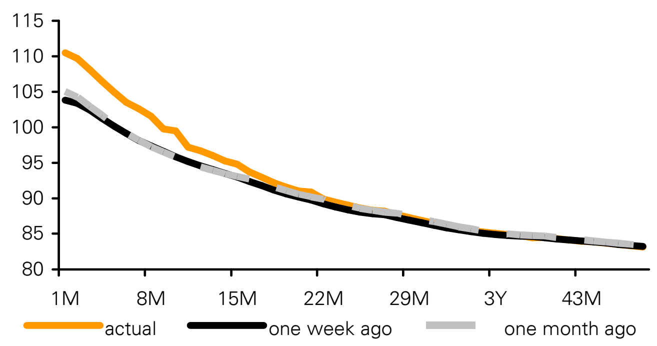
Inventories

Energy *	**current**	**1 day**	**1 week**	**1 month**	**1 year**
Crude oil	359062	-	-0.4%	-2.2%	0%
Gasoline	218401	-	-1.8%	-2.5%	8%
Distillates	129353	-	0.7%	1.3%	3%
Ethanol	16482	-	0.4%	-0.6%	-11%
Crude oil Cushing	37425	-	-2.8%	-18.8%	-17%
Natural gas	3063	-	1.9%	11.6%	-7%
Gasoil (ARA)	2186	-	7.1%	15.9%	-9%
Gasoline (ARA)	613	-	1.8%	-13.1%	-4%
Base metals **					
Aluminum LME	5422150	-0.1%	-0.4%	-1.1%	11%
Shanghai	317815	-	-4.9%	-15.9%	-13%
Copper LME	576350	2.1%	-0.2%	-7.2%	145%
COMEX	37629	-1.9%	-19.7%	-42.5%	-25%
Shanghai	156110	-	-3.6%	-6.8%	-2%
Lead LME	186525	-0.7%	-1.3%	-5.9%	-41%
Nickel LME	211902	0.9%	3.0%	6.2%	85%
Tin LME	15295	-0.1%	8.8%	5.2%	32%
Zinc LME	1024850	0.1%	-1.0%	-2.5%	6%
Shanghai	261559	-	1.3%	-4.0%	-12%
Precious metals ***					
Gold	62781	0.0%	0.2%	-0.9%	-20%
Silver	644174	0.0%	0.3%	4.2%	10%
Platinum	2205	0.0%	1.4%	1.1%	57%
Palladium	2240	-0.2%	1.2%	-1.5%	17%

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

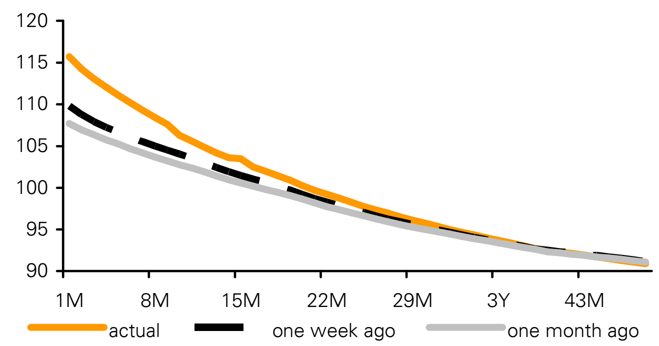
Percentage change on previous period
[1)] 1 month forward, [2)] 3 months forward, [3)] spot
Crude oil in USD per barrel, oil products and base metals in USD per ton,
Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel,
Cotton, sugar and coffee Arabica in US cents per pound
* 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)**



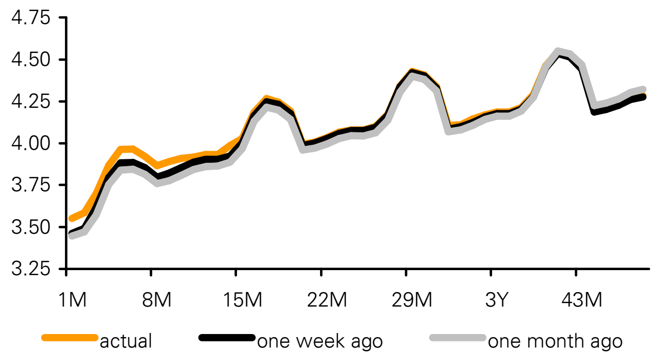
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: **Forward curve oil market (Brent)**



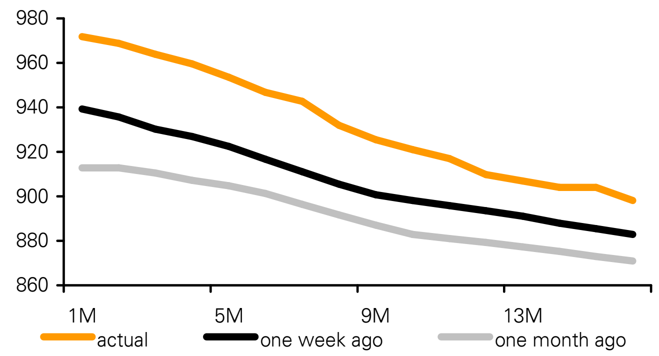
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: **Forward curve gas market (Henry Hub)**



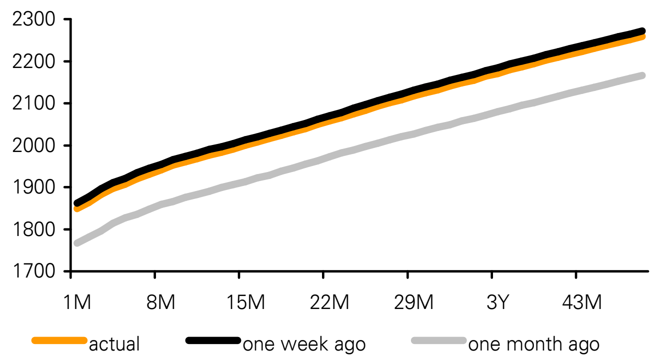
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: **Forward curve gasoil (ICE)**



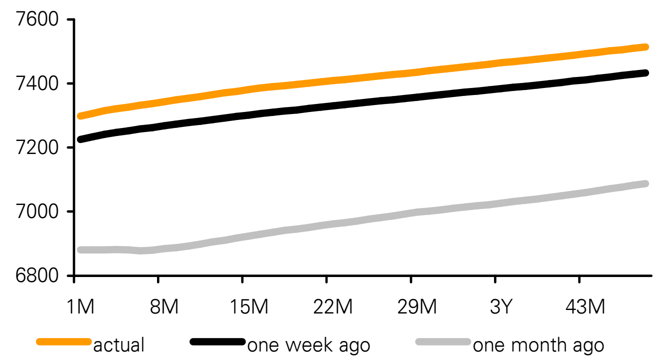
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: **Forward curve aluminium (LME)**



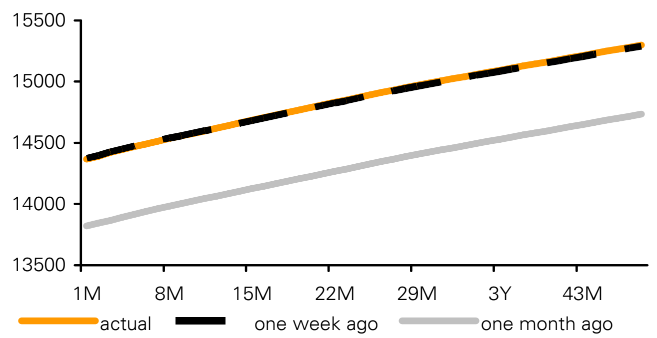
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: **Forward curve copper (LME)**



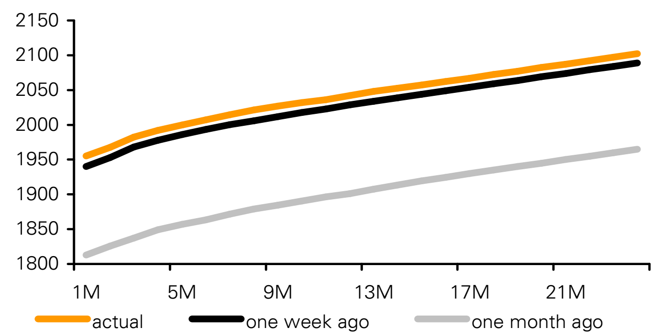
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: **Forward curve nickel (LME)**



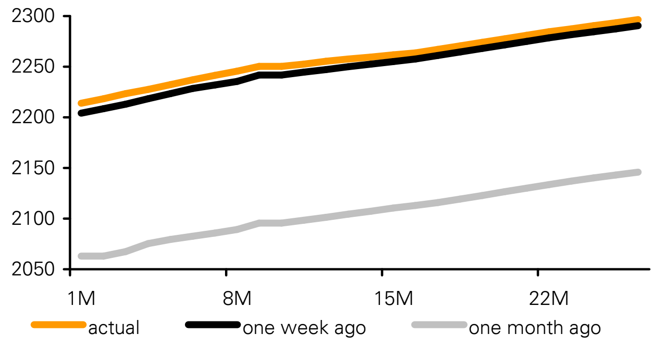
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: **Forward curve zinc (LME)**



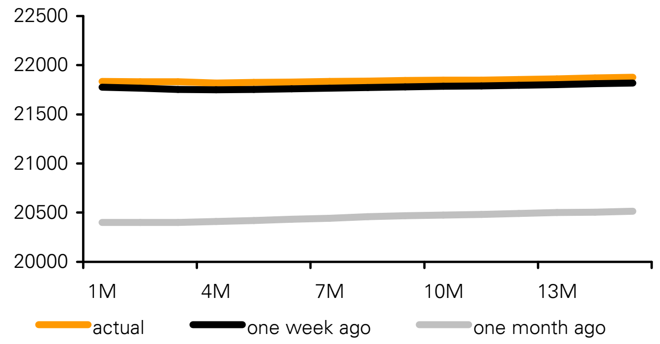
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: **Forward curve lead (LME)**



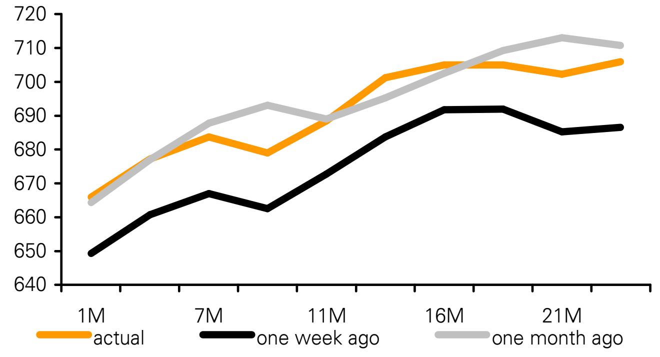
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: **Forward curve tin (LME)**



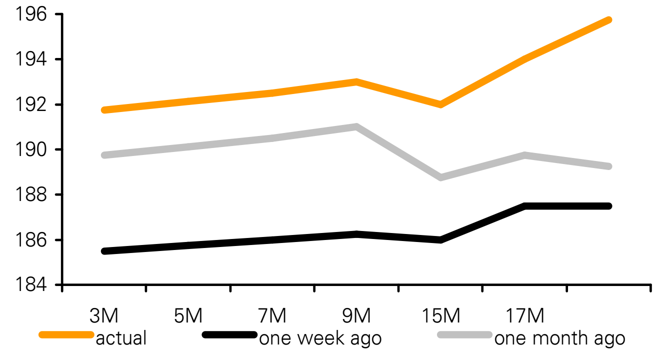
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: **Forward curve wheat (CBOT)**



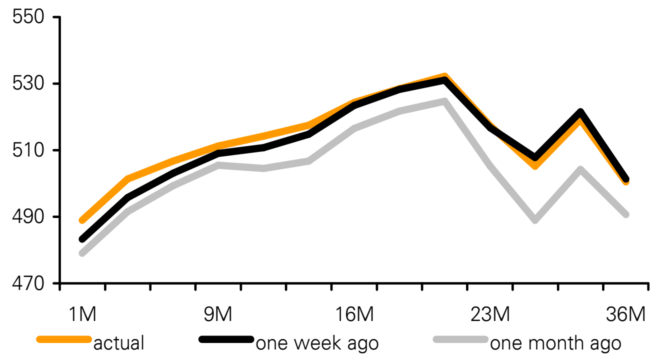
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: **Forward curve wheat (Paris)**



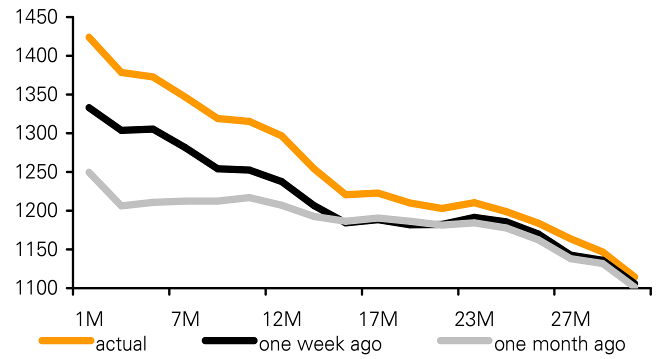
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: **Forward curve corn (CBOT)**



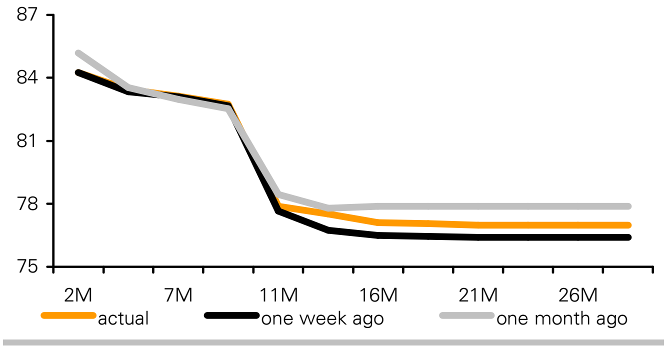
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: **Forward curve soybeans (CBOT)**



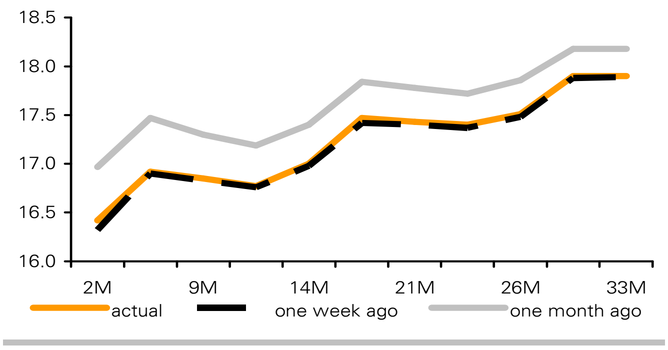
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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