

# Commodities Daily

29 August 2013

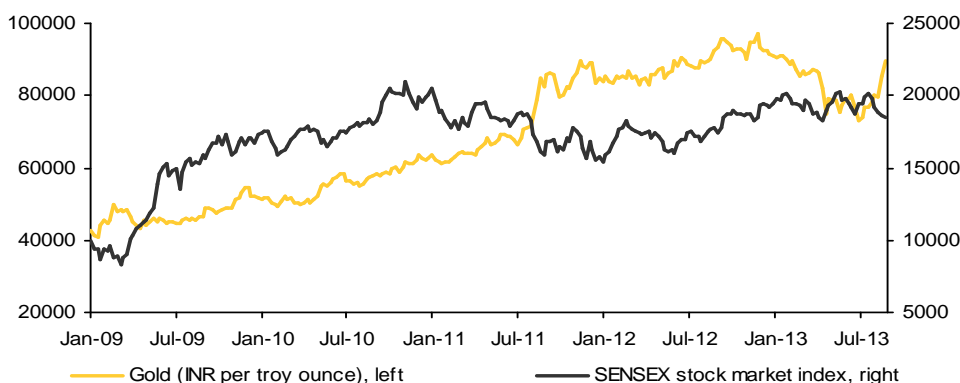
## Oil and gold rally falters for now

**Energy:** Ever since the “Arab Spring” broke out in early 2011, we have always made reference in our statements and price forecasts to the supply risks in the Middle East and to the associated “geopolitical premium” on the oil price. When assessing a “fair” price premium, however, we believe that it only really makes sense to consider the foreseeable risks. After all, although only the really surprising developments bring about the most dramatic price increases, such as a war in Iran, terror attacks in Saudi Arabia or the complete closure of the Strait of Hormuz, these “black swans” cannot be priced in. Their consequences would simply be so catastrophic that even a price rise to \$150 or higher would be conceivable. At the present time, however, these risks do not appear any more likely than they did a week or a month ago, which is why we currently view predictions of an oil price rise to \$150 per barrel as unfounded scaremongering. The present situation simply does not warrant such a price. Were the West to launch only a limited military strike against the Syrian regime, it is likely that oil prices would then fall again just as quickly again as they increased. For one thing, Syria plays no role on the oil market, and for another we are confident that “optimism” amongst speculators on the oil exchanges in New York and London is currently at its highest ever level, judging from their positioning. What is more, this would correspond to the usual historical pattern, according to which tension builds up ahead of conflicts and prices rise sharply. When war actually begins, however, oil prices have tended to collapse. Looking at recent history by way of comparison, the toppling of Gaddafi in September 2011 resulted in Brent prices falling quickly from \$115 to \$100 per barrel.

**Precious metals:** The upsurge in the price of gold appears to have come to an end for now, gold nearing the \$1,400 per troy ounce mark again this morning and thus trading around \$30 below the 3½-month high it achieved yesterday. Despite the geopolitical risks, some market players clearly regard the latest price rise – gold had gained by up to 16% in just two months – to be exaggerated and have decided to take profits while they can. The picture for silver is almost identical: the white precious metal briefly exceeded the \$25 mark again yesterday for the first time since mid-April but has shed nearly 3% at times today and fallen to a weekly low of \$23.7 per troy ounce. Up nearly 28%, the increase in the silver price had been even more pronounced than that of gold.

Whereas gold costs around a quarter less than it did two years ago in US dollar terms, the gold price in India climbed to an all-time high of almost INR 99,000 per troy ounce yesterday. So far, the measures taken by the government to shore up the rupee have shown no effect. On the contrary, the country's currency shed around 13% against the US dollar in August alone and yesterday plunged for a time to an all-time low of over 69 INR/USD. Given the lack of investment alternatives – after all, bond and equity prices have been in free fall of late – it is also questionable whether the measures aimed at curbing gold imports will really halt them. According to media reports, there has been a surge in gold smuggling instead.

### CHART OF THE DAY: India: gold is better investment than equities even post-crisis



Source: Bloomberg, Commerzbank Corporates &amp; Markets

### US-inventories crude oil/products

23.8.	Weekly chg	Est.	Total
Crude oil	+2.99	+0.75	362.0
- Cushing	-0.84		36.6
Gasoline	-0.59	-1.38	217.8
Distillates	-0.32	+0.55	129.0
Ref.utilis.(%)	+0.20	-0.25	91.2
Oil imports	+0.42		8.4
Oil production	+0.09		7.6
23.8.	5-y average	Est.	prior
Natural gas	62	63	57

in mbbbl, imports in mbbbl/day,  
natural gas in bn cubic feet  
Source: DOE, Bloomberg

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Bloomberg: CBIR

**Base metals:** Metal prices have come under pressure from the pull of falling equity markets, growing geopolitical risks and a firmer US dollar. We believe there is little fundamental justification for the weak prices and feel instead that they need to catch up with other economic indicators such as equities. The current recovery of the Chinese economy in particular is likely to help drive prices up. China's Ministry of Commerce announced yesterday that copper and some other commodities and steel products would in future be exempted from the import licence system from 1 September. This could lead to higher copper imports into China, which would lend support to the LME price. This would doubtless accelerate the decline in Chinese CIF import premiums, which recently achieved the extremely high level of around \$200 and then plunged to \$160-180 per ton. Alongside demand, possible strike-related disruptions to copper production are likely to enter more into focus. For one thing, workers at Escondida mine, the world's largest copper mine, will soon be voting on whether to accept the pay deal offered by mine operator BHP. Unions at another mine in Chile – Salvador mine – rejected an offer by the mine's operator Codelco. What is more, wage negotiations that have been ongoing since June at Grasberg mine in Indonesia, the world's second-largest copper mine, appear deadlocked. Thus strikes could paralyse mines which last year accounted for more than 11% of global mining production.

**Agriculturals:** Cotton prices are currently finding it impossible to rise above the 85 US cents per pound mark again in view of the plentiful supply situation. They are thus once again below the level from which they had climbed by 10% between the beginning of August and last week's slump. Although a lack of rainfall in key US growing areas has already caused delays to development and has resulted in fields being given up, the US Department of Agriculture is still currently rating 47% of plants as being in good or excellent condition. That's one percentage point up on last week, and four percentage points up on last year. The CFTC's positioning data that are due to be published on Friday are likely to show a sharp decline in net long positions held by speculative investors, after an increase to a record high had been reported for the week to 20 August.

The Brazilian Sugarcane Industry Association (UNICA) reports that a higher proportion of processed sugar cane went into producing sugar in the first half of August than in the preceding weeks. Manufacturers are thus responding to the weakness of the Brazilian real, which gives an incentive for stepping up sugar exports. This is putting prices under pressure. That said, overall ethanol production has grown by 33% year-on-year since the processing season began in April, which greatly exceeds the 9% growth in sugar production.

## Prices

Energy 1)	current	1 day	1 week	1 month	ytd
Brent Blend	116.6	2.0%	5.0%	7.4%	4%
WTI	110.1	1.0%	3.8%	4.3%	19%
Gasoline	1068.0	2.0%	4.0%	5.9%	12%
Gasoil	971.0	0.8%	3.8%	6.3%	5%
Diesel	992.5	0.9%	3.2%	6.7%	5%
Jet fuel	1040.8	1.3%	3.8%	6.2%	4%
Natural gas (\$/mmBtu)	3.58	0.9%	1.2%	3.8%	7%
Base metals 2)					
Aluminum	1864.5	-1.2%	-2.3%	3.2%	-11%
Copper	7290	-0.3%	0.1%	5.4%	-9%
Lead	2212.5	-0.5%	-0.8%	6.3%	-6%
Nickel	14180	-1.7%	-2.0%	3.1%	-17%
Tin	21650	-0.8%	-1.4%	7.7%	-8%
Zinc	1958	-1.3%	-1.4%	5.1%	-7%
Precious metals 3)					
Gold	1417.5	0.2%	2.4%	6.1%	-16%
Gold (€/oz)	1062.7	0.6%	3.1%	0.6%	-16%
Silver	24.4	-0.4%	4.0%	21.0%	-21%
Platinum	1537.0	0.7%	-0.8%	5.9%	-1%
Palladium	744.9	0.1%	-1.8%	-0.3%	5%
Agriculturals 1)					
Wheat (LIFFE, €/t)	189.3	-1.3%	2.0%	0.8%	-24%
Wheat CBOT	659.5	-0.6%	3.2%	1.5%	-15%
Corn	493.5	-1.1%	3.2%	1.3%	-30%
Soybeans	1372.8	0.2%	6.3%	12.1%	-3%
Cotton	83.8	-0.5%	-0.2%	-0.8%	12%
Sugar	16.44	0.3%	1.3%	-2.5%	-15%
Coffee Arabica	118.5	0.1%	1.3%	-2.1%	-18%
Cocoa (LIFFE, €/t)	1655	1.7%	2.0%	5.6%	15%
Currencies 3)					
EUR/USD	1.3340	-0.4%	-0.7%	0.0%	1%

## Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	362048	-	0.8%	-0.6%	-1%
Gasoline	217814	-	-0.3%	-2.2%	8%
Distillates	129037	-	-0.2%	2.0%	2%
Ethanol	16250	-	-1.4%	-5.8%	-12%
Crude oil Cushing	36588	-	-2.2%	-16.9%	-18%
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	5407050	-0.1%	-0.6%	-1.3%	11%
Shanghai	317815	-	-4.9%	-15.9%	-13%
Copper LME	577675	0.5%	1.9%	-6.6%	147%
COMEX	37420	-0.6%	-15.0%	-42.8%	-26%
Shanghai	156110	-	-3.6%	-6.8%	-2%
Lead LME	186200	0.1%	-1.8%	-6.1%	-40%
Nickel LME	212220	-0.1%	1.4%	6.0%	80%
Tin LME	15290	0.3%	9.5%	5.1%	32%
Zinc LME	1010400	-0.4%	-1.8%	-4.2%	6%
Shanghai	261559	-	1.3%	-4.0%	-12%
Precious metals ***					
Gold	62845	0.1%	0.3%	-0.8%	-20%
Silver	645616	0.2%	0.3%	4.5%	10%
Platinum	2205	0.0%	1.4%	1.1%	56%
Palladium	2240	0.0%	1.3%	-1.5%	17%

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

Percentage change on previous period

<sup>1)</sup> 1 month forward, <sup>2)</sup> 3 months forward, <sup>3)</sup> 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

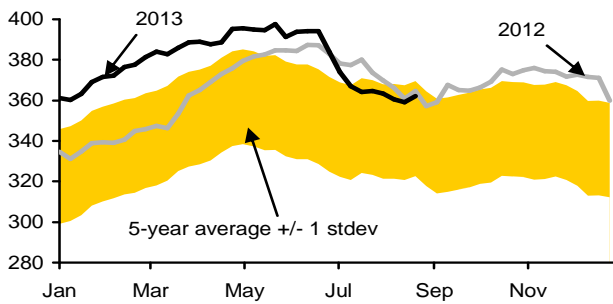
\* US inventories of crude oil, oil products and ethanol in '000 barrel,

US natural gas inventories in billion cubic feet, ARA stocks in '000 tons

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

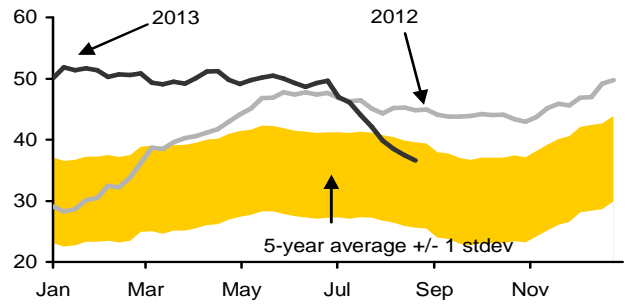
## DOE data: US inventories of crude oil and oil products

GRAPH 1: Crude oil inventories (in mbbl)



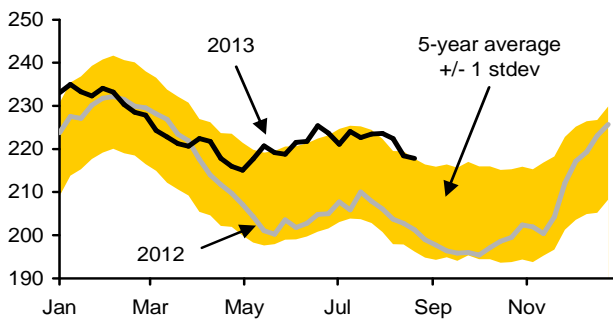
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Crude oil inventories at Cushing (in mbbl)



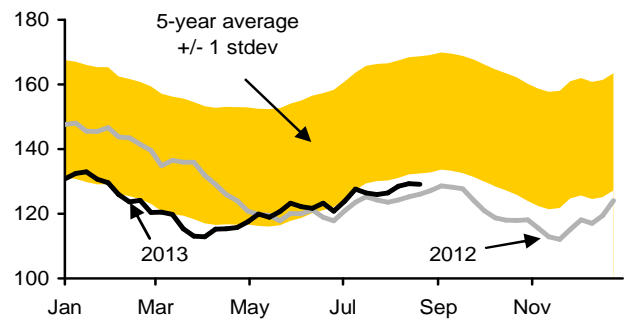
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Gasoline inventories (in mbbl)



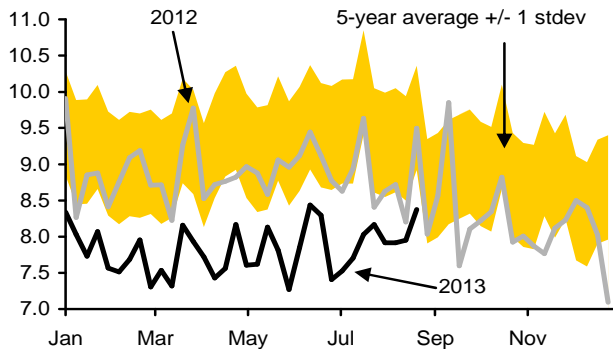
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Distillates inventories (in mbbl)



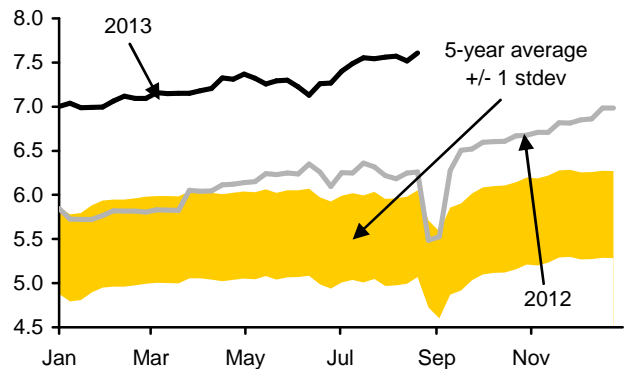
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Crude oil imports (in mbbl/day)



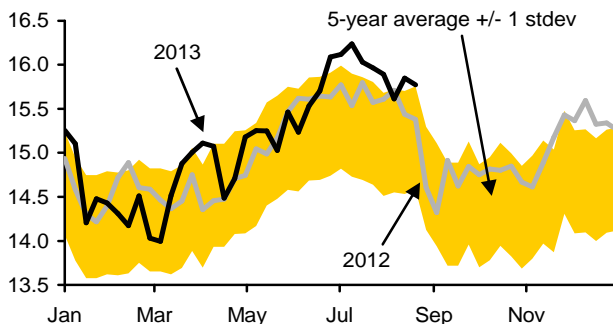
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Oil production (in mbbl/day)



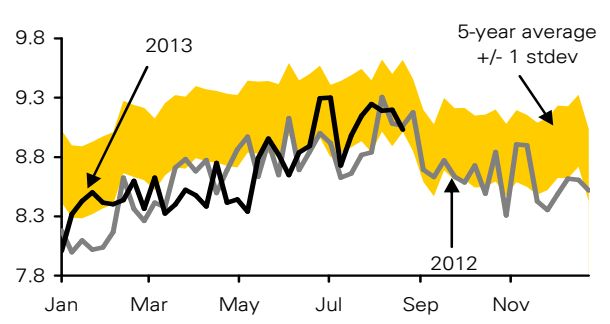
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Refinery runs (in mbbl/day)



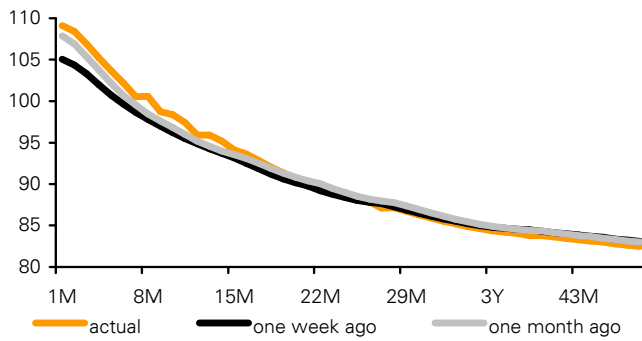
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Gasoline demand (in mbbl/day)



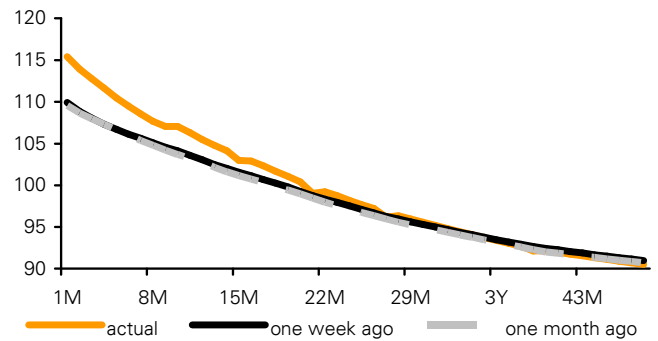
Source: DOE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve oil market (WTI)



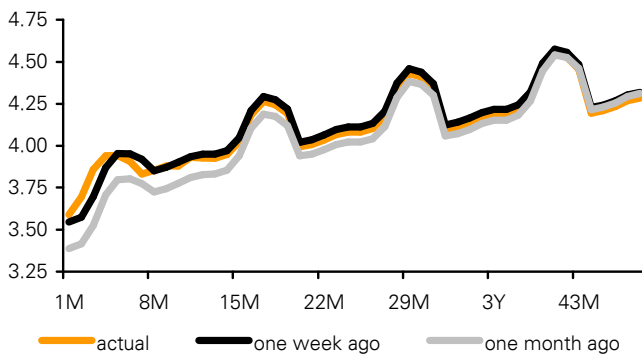
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve oil market (Brent)



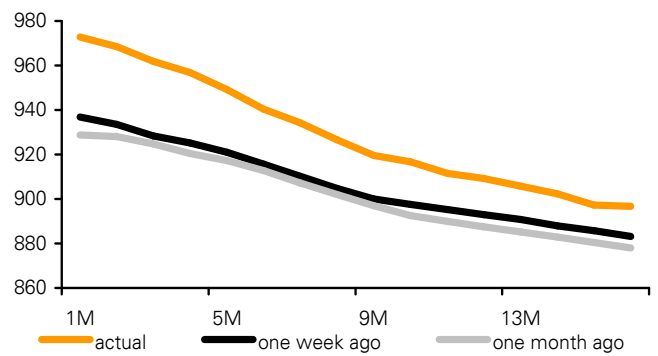
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve gas market (Henry Hub)



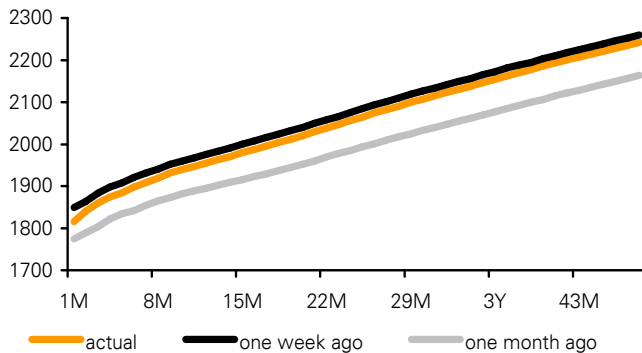
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve gasoil (ICE)



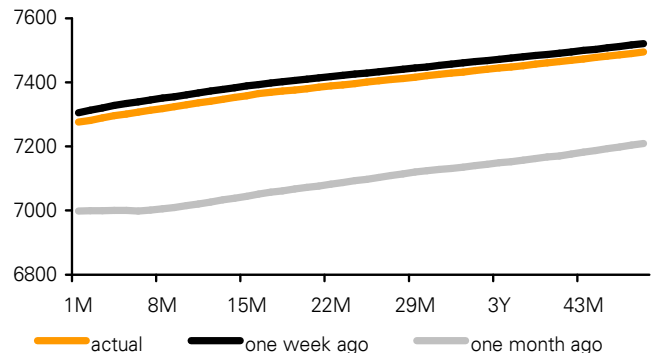
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve aluminium (LME)



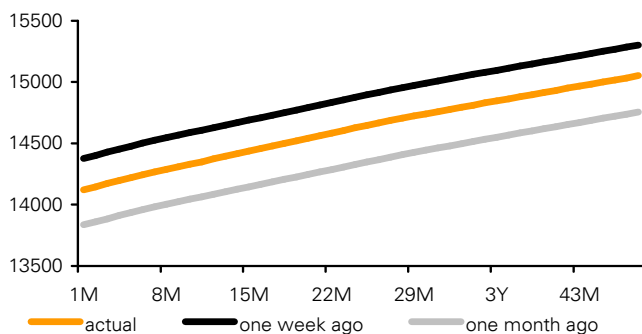
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve copper (LME)



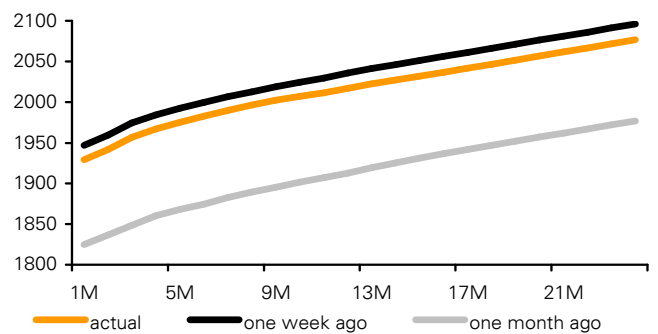
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 15: Forward curve nickel (LME)



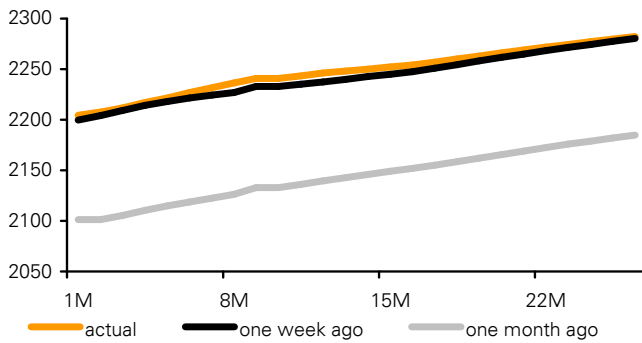
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 16: Forward curve zinc (LME)



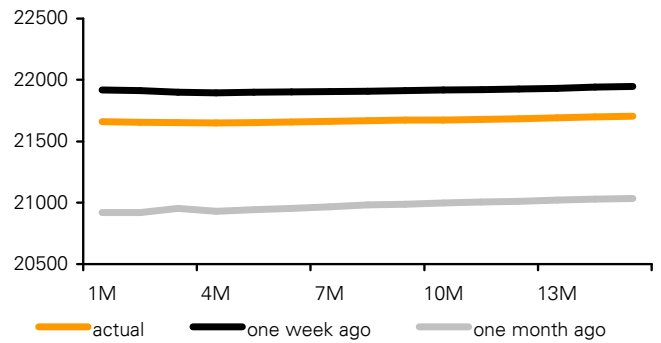
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 17: Forward curve lead (LME)



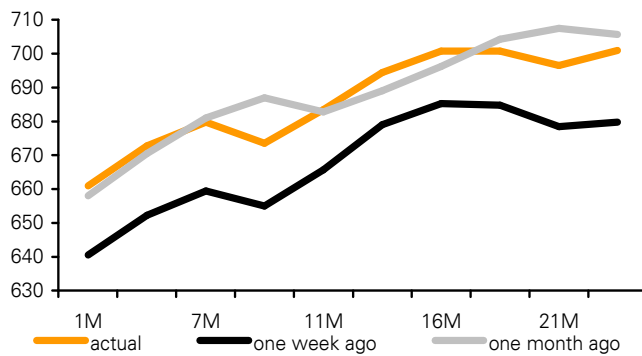
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 18: Forward curve tin (LME)



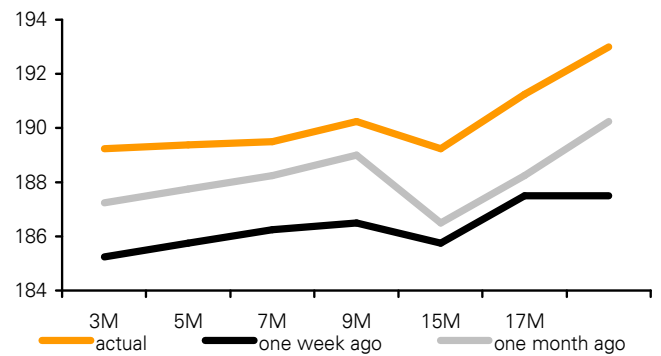
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 19: Forward curve wheat (CBOT)



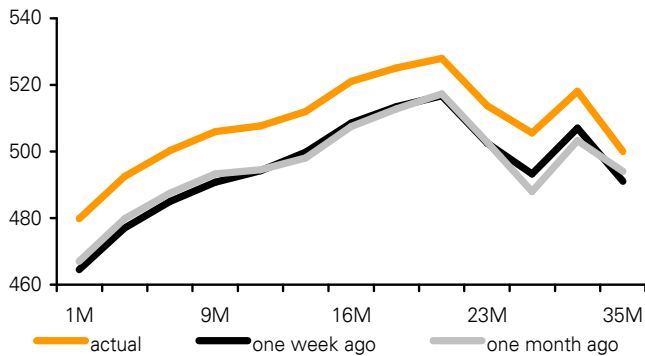
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 20: Forward curve wheat (MATIF)



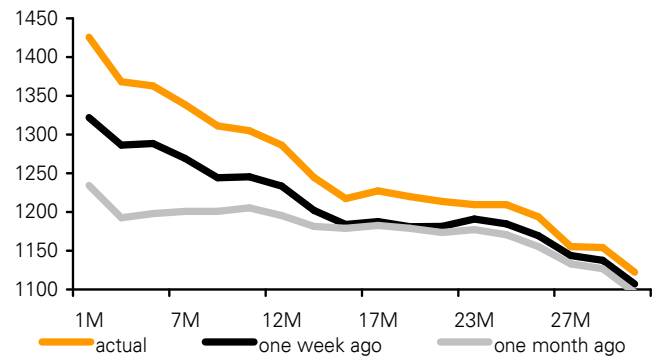
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 21: Forward curve corn (CBOT)



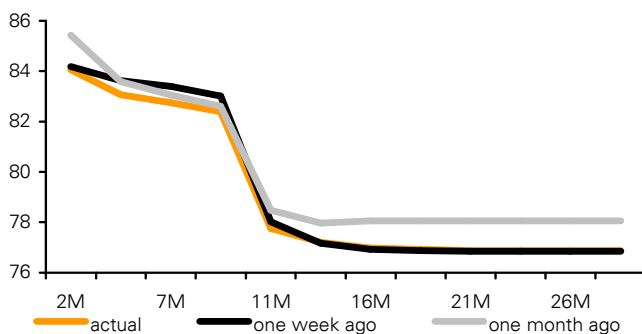
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 22: Forward curve soybeans (CBOT)



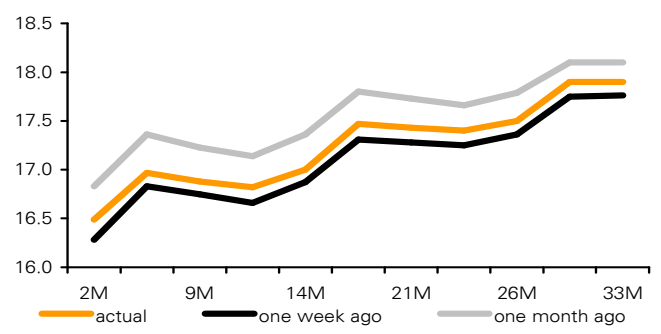
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 23: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 24: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Corporates & Markets

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