

Commodities Daily

30 April 2014

Strike in South African platinum mining industry continues

Energy: Oil prices find themselves under selling pressure this morning. Brent has fallen to \$108.5 per barrel while WTI is trading only just above \$100 per barrel. In the absence of any new price-driving news from Ukraine, the focus is on the plentiful supply of the US market, which is weighing on prices. According to the API, US crude oil stocks climbed by 3 million barrels last week, which is somewhat more than was anticipated. If the official inventory data due to be published this afternoon by the US Department of Energy were to show an inventory build of this magnitude, this would see US crude oil stocks climbing above the 400 million barrel threshold for the first time. The expectation of a further increase in the already record-high US crude oil stocks is likely to weigh primarily on the WTI price, especially since last week also saw an inventory build at Cushing, according to the API. What is more, the news agencies Reuters and Bloomberg are likely to be publishing their surveys of OPEC production in April today. Following the sharp decline in production in March, OPEC is likely to have produced more crude oil this month. This is because oil production was probably higher again in Iraq and Angola – alongside Libya, they were chiefly responsible for the slump in production in March. In Libya too, oil production has risen slightly, albeit from a very low level, following the resumption in mid-April of oil shipments from one terminal. According to the state-owned National Oil Corporation (NOC), oil production currently totals 285,000 barrels per day, following a figure of approximately 230,000 barrels per day in the first half of the month.

Precious metals: Silver is still trading well below the \$20 per troy ounce mark and has shown itself to be relatively weak in the past few days, especially as compared to gold. This is also evidenced in the much-regarded gold/silver ratio which at just shy of 67 is at its highest level since late July/early August and is only marginally below a four-year high. Clearly, financial investors are currently also withdrawing from silver. In the last two days of trading, silver ETFs tracked by Bloomberg recorded outflows of 114 tons, the majority of these attributable to the iShares Silver Trust, the world's largest silver ETF. Furthermore, the net long positions held by speculative financial investors are at the low level of 6,300 contracts.

Platinum gained for a time to \$1,435 per troy ounce yesterday, thereby achieving its highest level in nearly two weeks. After consulting its members, the radical AMCU union in South Africa rejected the much improved and generous pay offer made by the platinum producers, meaning that the strike – which has now been underway for 14 weeks – will continue. By their own account, the mining companies have so far lost ZAR 15.5 billion in revenues as a result of the strike, while workers have lost out on wages totalling ZAR 6.9 billion. Meanwhile, the companies have appealed directly to the workers to accept their offer. Clearly, there are also signs of resistance among the workforce to the hard line taken by the union leadership.

CHART OF THE DAY: Silver has performed much worse than gold of late



Source: Bloomberg, Commerzbank Corporates & Markets

US inventories crude oil / oil products

	API 25.4.	Survey	DOE 18.4.
Crude oil	+3.0	+2.1	+3.5
Cushing	+0.2	-	-0.8
Gasoline	-0.0	-0.4	-0.3
Distillates	+0.7	+0.7	+0.6
Utiliz. (%)	+0.7	+0.2	+2.2
Imports	+0.2	-	-0.5

Weekly change in mm barrels, imports in mbpd,

Source: Reuters, DOE, Bloomberg

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Base metals: Falling Chinese equity markets are weighing this morning on base metal prices that had already found themselves under pressure yesterday as the situation in east Ukraine further escalated. While nickel has been profiting considerably from precisely this crisis in the past weeks and months, its price dipped briefly below the \$18,000 per ton mark yesterday for the first time in a week. Apparently, money managers decided to take profits. Previously, they had played a major part in driving up the nickel price, as the open interest on the LME suggests. At around 233,000 contracts, this had reached a record high recently and was 60% up on the start of the year. What is more, Vladimir Potanin, the boss of Norilsk Nickel, the world's biggest nickel producer, had recently described concerns about possible disruptions to the supply of nickel in the event of economic sanctions against Russia as exaggerated, claiming that Norilsk Nickel continues to sign long-term supply contracts with European clients and maintain its business relations with customers in the US. Furthermore, Potanin believes that further sanctions that would disrupt metal markets are unlikely because this would hurt both sides. Instead, he sees the nickel price as being influenced to a major extent by the ore export ban in Indonesia, which should lend it mid-term support.

Agriculturals: The first findings of a tour of experts through the wheat fields of Kansas are hardly encouraging. The tour members estimate average yields here, in the most important wheat growing state in the US, at just 34.7 bushels per acre – compare this to last year's figure of 43.8 bushels per acre. Although plant assessments for the US as a whole tally with those of last year, the situation in Kansas is considerably worse, meaning that yield shortfalls in Kansas are likely to be above-average, which suggests that the US wheat crop will be lower. Previously, the USDA had still been anticipating a somewhat higher crop this year than last year – it will be announcing its latest estimates next week.

One of the few changes the European Commission has made to its crop forecasts for 2014/15 is a 1.2% upward revision of the anticipated EU soft wheat crop to 135.9 million tons. This is attributable to a nearly 3% expansion in acreage, however, while actual per-acre yields are set to fall slightly. The Commission's forecast is still within the lower range of the forecasts presented in April by other market observers. More importantly, however, the European Commission continues to envisage high availability – despite the overly dry weather in key growing areas that has continued well into April – and anticipates a further inventory build. The Commission also remains optimistic about rapeseed, expecting another slight crop increase to a good 21 million tons after a good crop last year. This tallies with the appraisals of other market observers.

Prices

Energy 1)	current	1 day	1 week	1 month	2014
Brent Blend	109.0	0.8%	-0.7%	0.6%	-2%
WTI	101.3	0.4%	-1.2%	-1.4%	2%
Gasoline	1030.5	-0.5%	-1.2%	8.5%	6%
Gasoil	916.8	0.7%	-0.7%	1.6%	-4%
Diesel	934.3	0.9%	-0.4%	0.9%	-2%
Jet fuel	980.3	0.8%	0.3%	2.0%	-4%
Natural gas (\$/mmBtu)	4.83	0.8%	1.7%	10.0%	14%
Base metals 2)					
Aluminum	1813	-0.9%	-3.2%	1.7%	1%
Copper	6715	-0.5%	0.9%	1.3%	-9%
Lead	2110	-1.2%	-2.0%	2.3%	-5%
Nickel	18150	-0.1%	-0.4%	15.1%	32%
Tin	23195	-1.7%	-2.2%	1.9%	4%
Zinc	2055	-0.5%	-0.2%	3.6%	0%
Precious metals 3)					
Gold	1295.9	-0.1%	0.5%	0.5%	7%
Gold (€/oz)	938.3	0.2%	0.6%	0.0%	7%
Silver	19.5	-0.7%	-0.6%	-2.2%	-1%
Platinum	1428.5	0.7%	1.2%	0.3%	4%
Palladium	806.3	0.6%	2.3%	3.6%	12%
Agriculturals 1)					
Wheat (LIFFE, €/t)	205.3	-0.1%	1.0%	1.2%	0%
Wheat CBOT	716.5	1.1%	2.6%	2.5%	18%
Corn	521.5	1.5%	2.6%	3.7%	23%
Soybeans	1517.3	1.2%	3.1%	3.5%	17%
Cotton	94.1	2.1%	1.1%	0.7%	11%
Sugar	17.57	0.7%	-0.3%	-0.5%	8%
Coffee Arabica	211.9	5.3%	-1.4%	19.1%	91%
Cocoa (LIFFE, £/t)	1841	-0.2%	-1.7%	-2.2%	6%
Currencies 3)					
EUR/USD	1.3812	-0.3%	-0.1%	0.3%	0%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	397659	-	0.9%	5.8%	2%
Gasoline	210008	-	-0.1%	-5.5%	-4%
Distillates	112513	-	0.5%	1.5%	-2%
Ethanol	16518	-	3.6%	8.1%	-6%
Crude oil Cushing	26040	-	-2.9%	-12.6%	-49%
Natural gas	899	-	5.8%	-5.7%	-48%
Gasoil (ARA)	1541	-	-2.0%	-12.7%	-34%
Gasoline (ARA)	994	-	7.9%	-12.5%	-3%
Base metals **					
Aluminum LME	5352900	-0.1%	0.7%	-0.5%	4%
Shanghai	406667	-	0.3%	15.8%	-13%
Copper LME	233325	-0.7%	-3.2%	-12.0%	-62%
COMEX	18506	-1.3%	-0.4%	-6.3%	-78%
Shanghai	105156	-	-20.6%	-49.9%	-52%
Lead LME	193625	0.3%	-1.4%	-3.3%	-24%
Nickel LME	276846	-0.1%	0.0%	-2.8%	56%
Tin LME	9355	-0.3%	-0.6%	-2.1%	-33%
Zinc LME	777000	-0.4%	-1.9%	-0.3%	-27%
Shanghai	247745	-	-2.3%	-9.2%	-18%
Precious metals ***					
Gold	55814	-0.1%	-0.1%	-1.7%	-24%
Silver	632371	-0.6%	-0.4%	-0.4%	2%
Platinum	2664	0.1%	0.5%	4.1%	70%
Palladium	2575	0.0%	4.0%	21.9%	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,

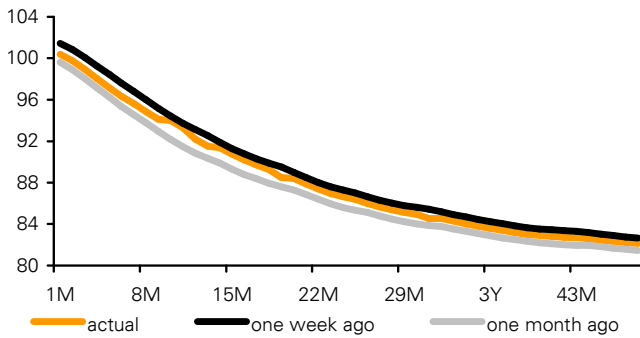
Cotton, sugar and coffee Arabica in US cents per pound

* 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

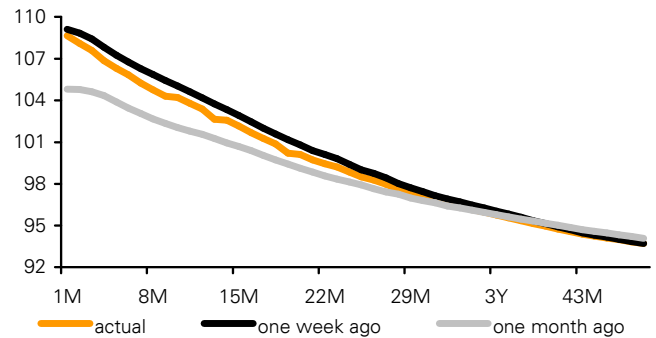
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



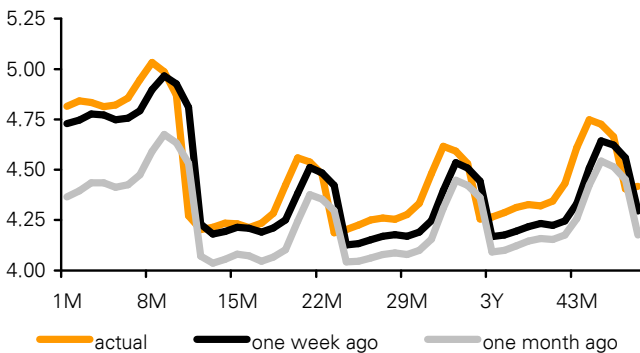
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve oil market (Brent)



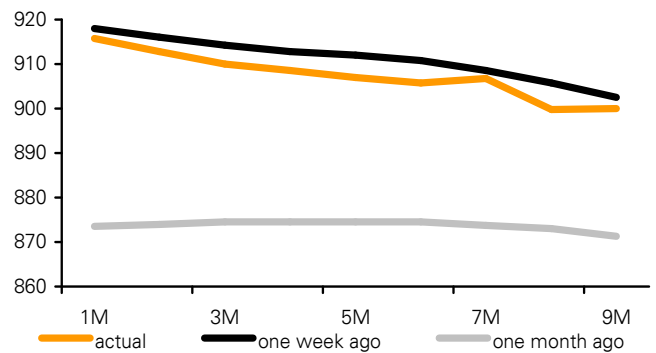
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve gas market (Henry Hub)



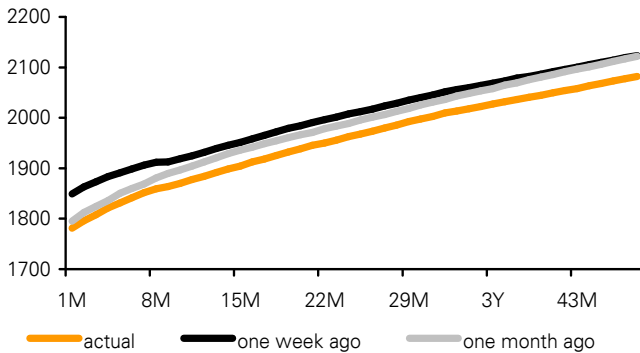
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve gasoil (ICE)



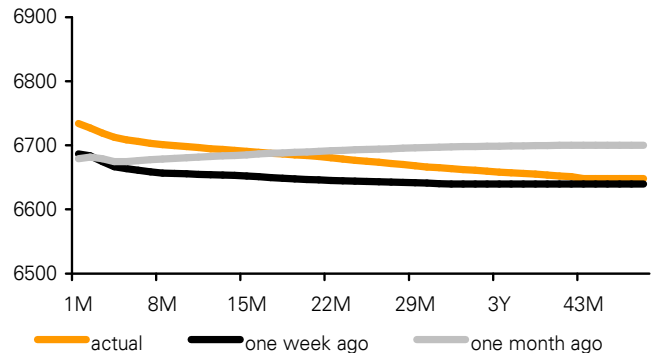
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve aluminium (LME)



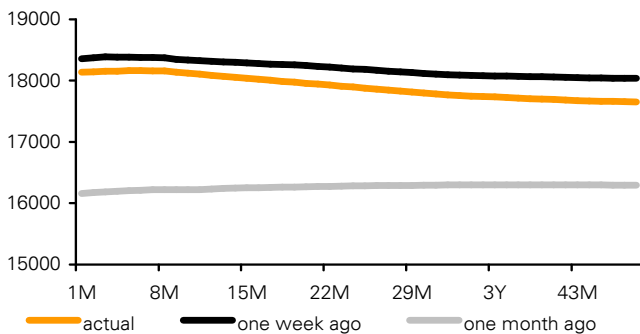
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve copper (LME)



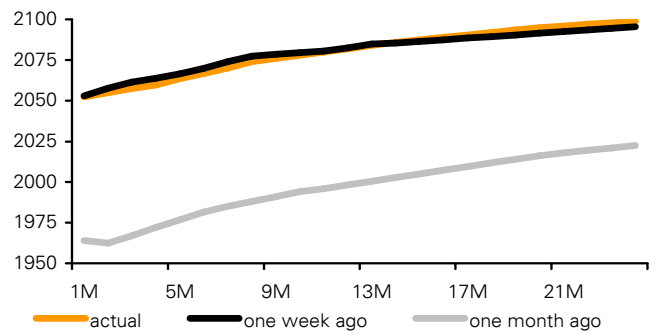
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Forward curve nickel (LME)



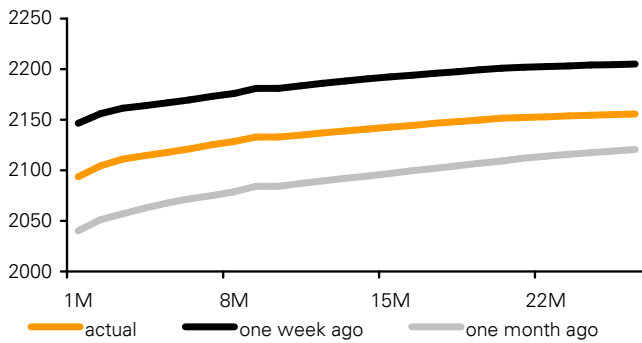
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve zinc (LME)



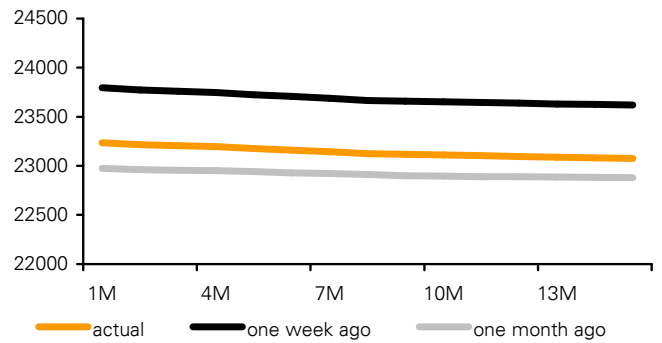
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve lead (LME)



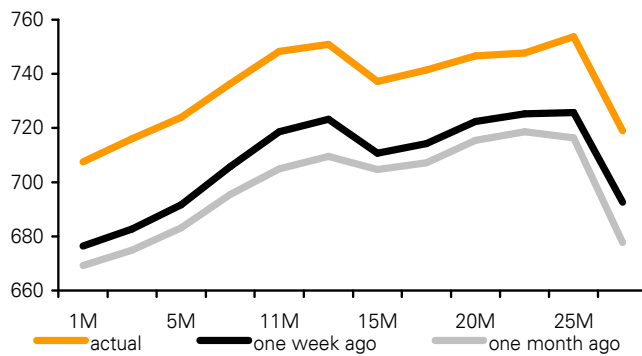
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve tin (LME)



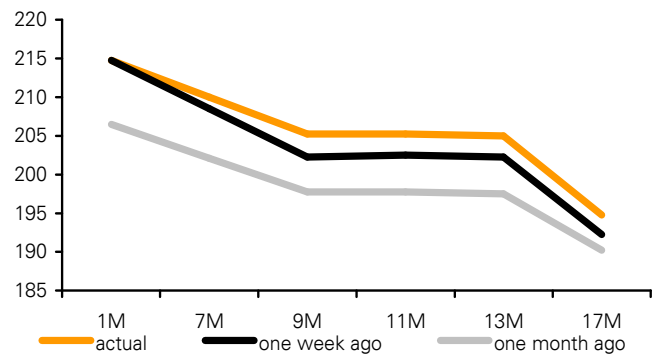
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve wheat (CBOT)



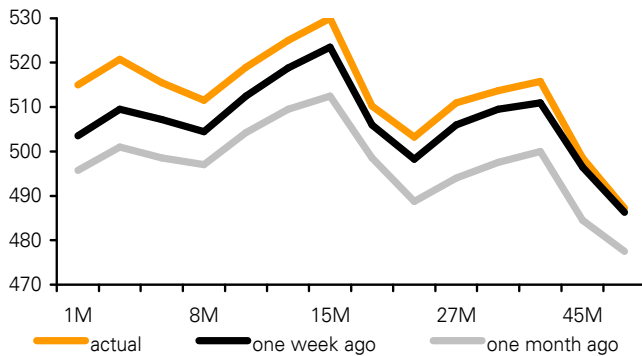
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve wheat (Paris)



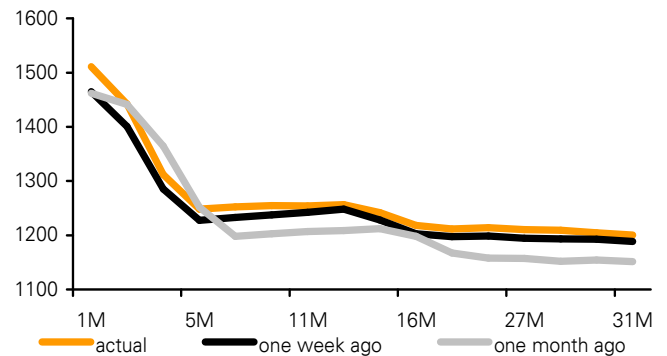
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve corn (CBOT)



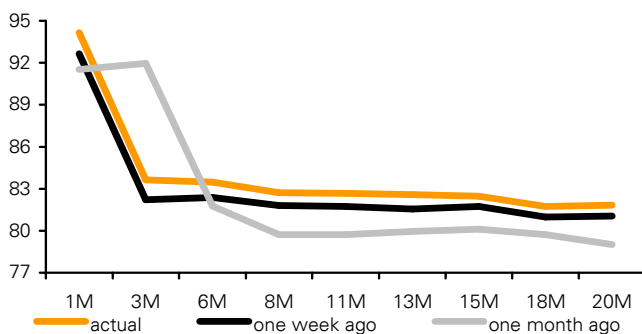
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve soybeans (CBOT)



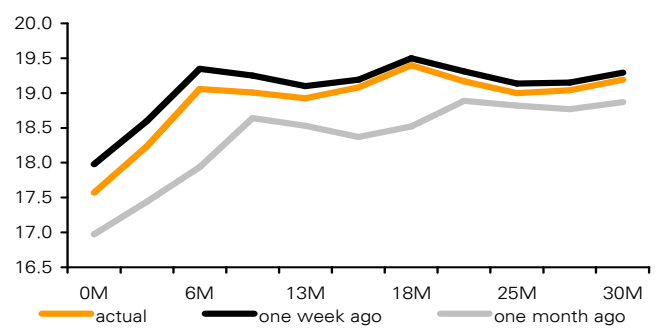
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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