Commodities Daily

24 September 2014

Ample supply

Energy: Brent is trading only slightly above its mid-September two-year low at just shy of $97 per barrel; the contango at the front end of the curve has widened again because there are signs of very ample supply on the oil market in the near future. The resumption of production at the Sharara oil field has allowed Libya's oil production to rise to 800,000 barrels per day. According to Reuters, Iraqi oil exports from the south of the country have totalled 2.58 million barrels per day since the beginning of September, which is 200,000 barrels more than the average export volume in August. Furthermore, Nigeria intends to export 1.9 million barrels of crude in November, the highest figure since September 2013. All of this, coupled with weak demand in Europe, is putting pressure above all on Brent contracts with maturity dates in the near future. By contrast, refinery demand remains high in the US: according to data from the American Petroleum Institute, crude oil stocks were decreased by 6.5 million barrels in mid-September. As a result, the WTI curve is also in backwardation at the short end; WTI is trading only $5 lower than Brent, as compared to more than $12 at the start of the year.

Unaffected by the global climate conference in New York, European emission trading prices were under pressure again recently: at just short of €5.70, the price of emitting one ton of carbon is more than 10% lower than at the beginning of the month. The main factor here is likely to have been selling on the part of industry, which still has considerable surpluses from previous years. Nonetheless, we remain confident that a tighter supply of emission allowances in the auctions ("backloading") and the prospect of long-term reforms will allow prices to climb further in the medium term. The discussion about its core element, the Market Stability Reserve, is likely to flare up again in early November at the latest when the European Parliament's Environment Committee runs its workshop.

Precious metals: Yesterday saw precious metals recover somewhat after suffering what were at times heavy losses in the preceding weeks. This was probably due to the meanwhile weaker US dollar and falling equity markets. The escalation of the situation in the Middle East that we already mentioned yesterday no doubt also played its part in this. What is more, yields on ten-year US Treasuries have declined somewhat again, thereby reducing the opportunity costs of holding gold. In response to the data and news, the gold price was trading clearly above $1,230 per troy ounce for a time. Ongoing ETF outflows are likely to have prevented any sharper rise in price: gold ETFs tracked by Bloomberg recorded their eighth consecutive daily outflow, which yesterday totalled 1.3 tons. The other precious metals also made gains in gold's slipstream – first and foremost palladium, which increased by almost 2% in price to around $820 per troy ounce. Thus the technically important 200-day moving average is holding for the time being. That said, ETF holdings in palladium have also been reduced for weeks, bringing them to their lowest level since the beginning of June yesterday. This could initially weigh further on the palladium price or at least block any significant price recovery. Nonetheless, we still anticipate higher prices in the medium to long term.

CHART OF THE DAY: Recovery of emission trading prices has faltered of late

Source: ICE, Bloomberg, Commerzbank Corporates & Markets

US inventories crude oil / oil products

	API 19.9.	Survey	DOE 12.9.
Crude oil	-6.5	+0.5	+3.7
Cushing	+0.2	-	-0.4
Gasoline	+0.1	-0.2	-1.6
Distillates	+3.0	+0.7	+0.3
Utiliz. (%)	-0.8	-0.5	-0.9
Imports	-0.7	-	+0.5

Weekly change in mm barrels, imports in mbpd, Source: Reuters, DOE, Bloomberg

Speculative market positioning (net)

19. Sep	contracts	Weekly change
Aluminium	198,684	-10,054
Copper	51,639	3,612
Nickel	24,780	-4,985
Zinc	89,717	343
Lead	19,609	-3,399
Tin	228	-449

Source: LME, Bloomberg

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Base metals: According to LME data published yesterday relating to the positioning of market participants, speculative financial investors predominantly withdrew from metals last week. This was also true of aluminium, where net long positions were reduced by nearly 5%. As such, financial investors were partly responsible for the price slide observed during the period under review. At around $1,970 per ton, the aluminium price nonetheless remains at a high level – indeed the price is even higher if the physical premiums of up to $480 per ton in Europe and the US are factored in. In our opinion, however, there is no fundamental justification for this: according to figures from the International Aluminium Institute, 4.424 million tons of aluminium were produced on a global level in August, the highest monthly figure ever and 3.2% up on last August. For the first time ever, China produced more than 2 million tons of this total – a year-on-year increase of 8.8%. The high production is also reflected in rising Chinese exports, which achieved their highest level in over three years in August at just shy of 390,000 tons. Production outside China was down slightly (-1% year-on-year). Although LME aluminium stocks have meanwhile been reduced to 4.64 million tons, putting them at their lowest level since December 2011, we do not see any particularly marked tightness of supply, and envisage further correction potential for the aluminium price.

Agriculturals: The sugar price is finding itself unable to make any ground: raw sugar in the front-month October contract costs around 14 US cents per pounds, and even in the now most-active contract with a maturity date in March 2015 the price has dipped below the 16 cents mark since mid-September. It is above all the positive supply signals that are pressuring prices. They are being sent out from many regions around the world: India's sugar production looks set to climb to 25-25.5 million tons in 2014/15 following a figure of 24.3 million tons the previous year. Australia is expecting to harvest its biggest sugar cane crop since 2006. And in the EU all signs point to strong growth year-on-year in France and Germany, the two biggest producing countries. Even in Brazil, where drought in the first quarter had long given the market cause for concern, observers no longer agree that there will definitely be crop shortfalls as compared with the previous season. Indeed, the state forecasting authority Conab recently even estimated a small increase for Brazil as a whole. In the Center-South region, the most important growing area, a year-on-year increase in processing has in fact still been reported on a cumulative basis since the season began in April – albeit with significantly declining dynamism. We expect the recent trend to continue and the year-on-year comparison to slide into negative territory. Although this is unlikely to change the expectation of an ample market supply situation, it should be enough to give prices a slight boost.

Prices

Energy 1)	current	1 day	1 week	1 month	2014
Brent Blend	96.9	-0.1%	-2.1%	-5.3%	-13%
WTI	91.6	0.0%	-2.8%	-2.0%	-7%
Gasoline	913.0	0.5%	-2.2%	-4.5%	-5%
Gasoil	814.8	-0.4%	-2.3%	-5.6%	-14%
Diesel	825.0	-0.5%	-3.0%	-5.8%	-14%
Jet fuel	884.0	-0.3%	-2.0%	-5.0%	-14%
Natural gas ($/mmBtu)	3.82	-0.9%	-4.4%	-0.1%	-9%
Base metals 2)					
Aluminum	1966	-0.5%	-1.8%	-4.9%	9%
Copper	6720	0.0%	-3.0%	-4.9%	-9%
Lead	2071	0.3%	-1.7%	-8.0%	-7%
Nickel	17125	0.6%	-4.7%	-8.1%	24%
Tin	21175	0.1%	0.5%	-4.0%	-5%
Zinc	2255	0.7%	0.2%	-3.6%	10%
Precious metals 3)					
Gold	1223.3	0.7%	0.1%	-4.3%	2%
Gold (€/oz)	952.3	0.7%	0.2%	-0.2%	9%
Silver	17.8	0.3%	-4.2%	-8.6%	-9%
Platinum	1332.2	0.5%	-1.1%	-5.9%	-2%
Palladium	815.3	1.9%	-1.4%	-7.4%	15%
Agriculturals 1)					
Wheat (LIFFE, €/t)	150.3	-0.7%	-7.3%	-13.5%	-27%
Wheat CBOT	476.0	-0.2%	-2.5%	-15.3%	-21%
Corn	325.5	-1.4%	-3.7%	-12.3%	-23%
Soybeans	936.3	-0.2%	-4.7%	-19.7%	-29%
Cotton	62.8	-1.2%	-5.0%	-6.6%	-27%
Sugar	15.73	0.4%	-1.6%	0.4%	-4%
Coffee Arabica	180.9	0.8%	-0.2%	-3.4%	63%
Cocoa (LIFFE, £/t)	2110	-1.2%	5.0%	4.4%	22%
Currencies 3)					
EUR/USD	1.2847	0.0%	-0.1%	-2.6%	-6%

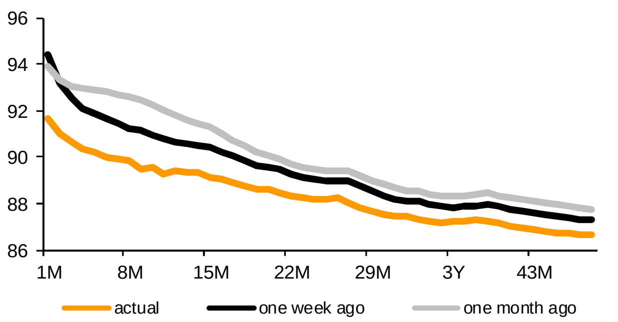
Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	362271	-	1.0%	-1.3%	2%
Gasoline	210738	-	-0.8%	-0.9%	-2%
Distillates	127772	-	0.2%	4.3%	-3%
Ethanol	18805	-	4.4%	5.9%	16%
Crude oil Cushing	19999	-	-1.8%	8.7%	-40%
Natural gas	2891	-	3.2%	17.2%	-12%
Gasoil (ARA)	2790	-	7.2%	3.0%	30%
Gasoline (ARA)	597	-	-6.4%	-17.5%	-17%
**Base metals ** **					
Aluminum LME	4644225	-0.1%	-1.0%	-4.1%	-14%
Shanghai	299572	-	-1.2%	-16.9%	23%
Copper LME	156100	2.6%	0.5%	6.7%	-72%
COMEX	32773	0.9%	1.0%	23.9%	3%
Shanghai	79853	-	6.5%	-17.6%	-47%
Lead LME	225375	0.1%	-0.1%	3.8%	-8%
Nickel LME	343284	0.6%	1.6%	5.4%	55%
Tin LME	9590	-0.2%	-3.0%	-27.5%	-30%
Zinc LME	752425	0.0%	-0.2%	2.4%	-23%
Shanghai	160688	-	-4.9%	-16.6%	-37%
Precious metals ***					
Gold	54443	-0.1%	-0.8%	-2.3%	-12%
Silver	641888	-0.1%	-0.4%	1.0%	0%
Platinum	2727	0.0%	-0.2%	-3.2%	21%
Palladium	2925	-0.2%	-0.8%	-4.6%	32%

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

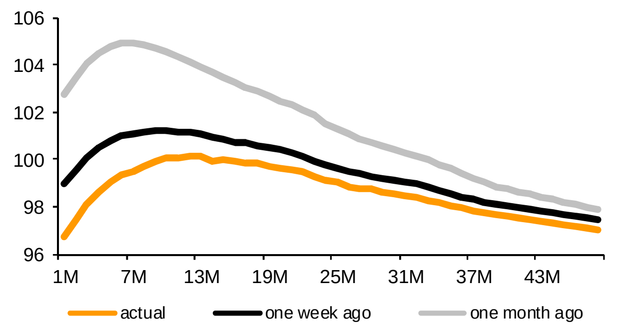
Percentage change on previous period
1) 1 month forward, 2) 3 months forward, 3) spot
Crude oil in USD per barrel, oil products and base metals in USD per ton,
Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel,
Cotton, sugar and coffee Arabica in US cents per pound
* US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



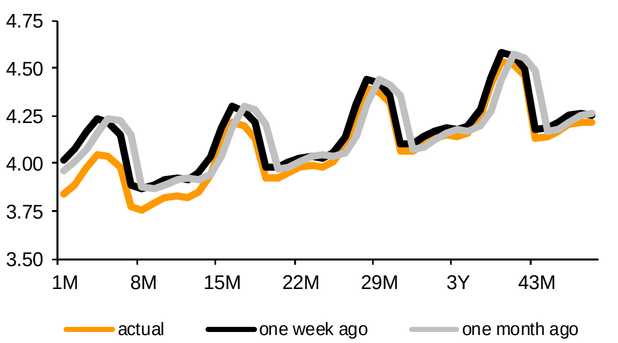
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



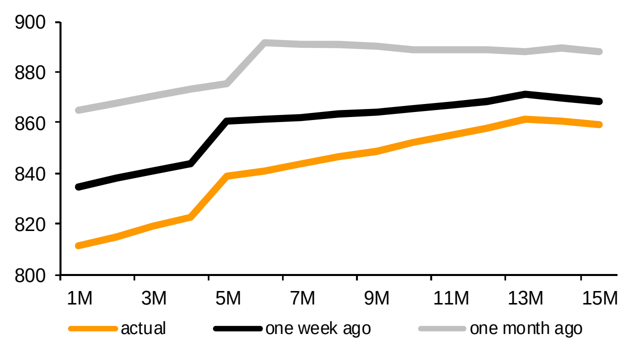
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

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



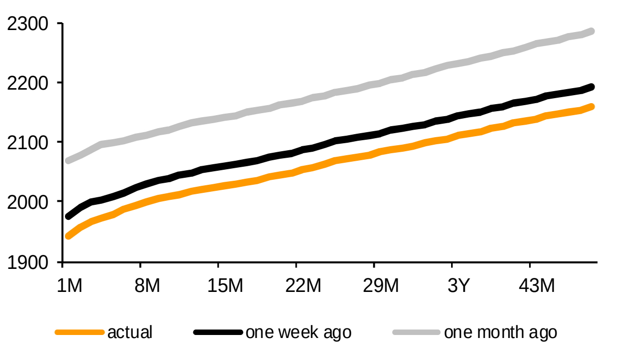
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

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



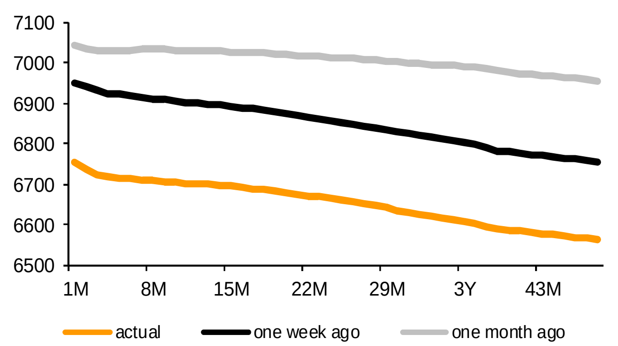
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

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



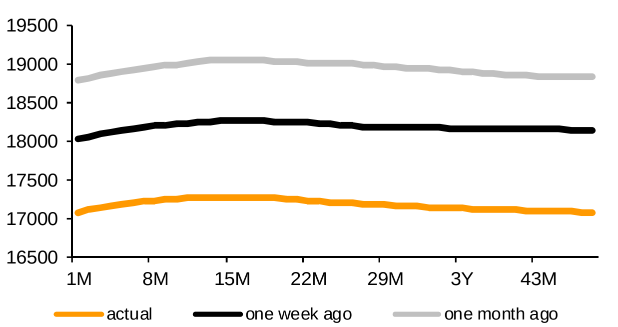
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



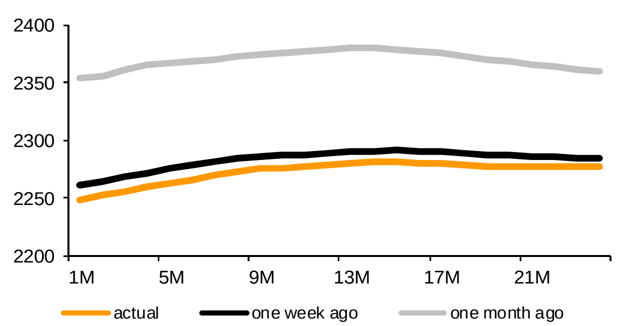
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



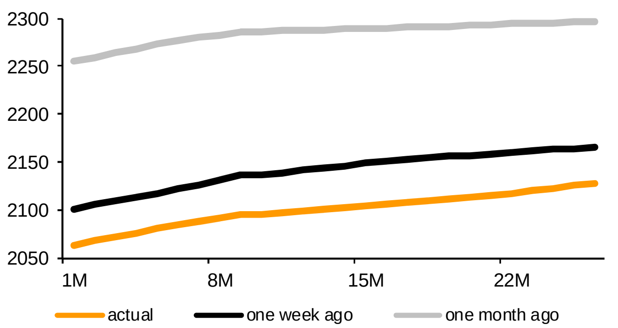
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



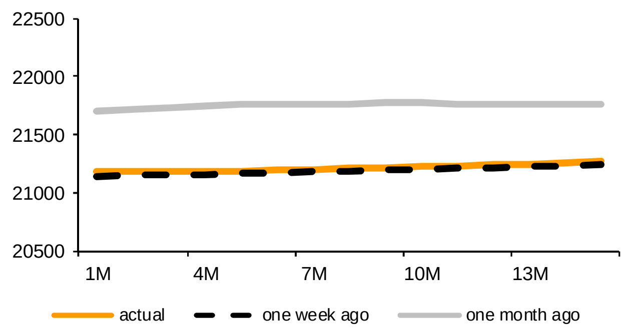
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



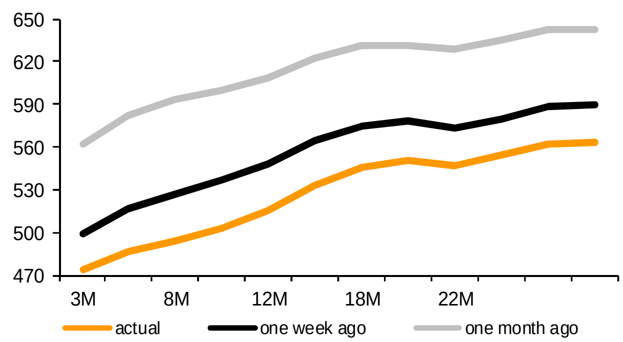
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



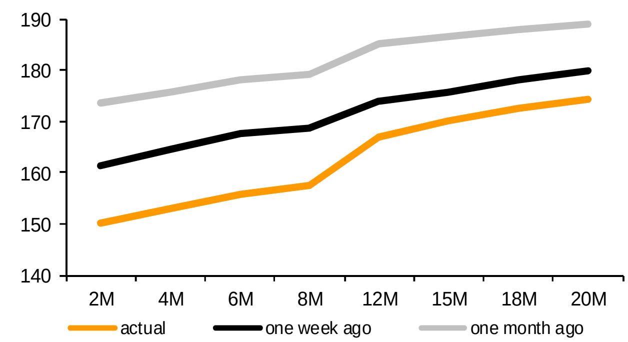
Source: LME; Bloomberg, Commerzbank Corporates & Markets

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



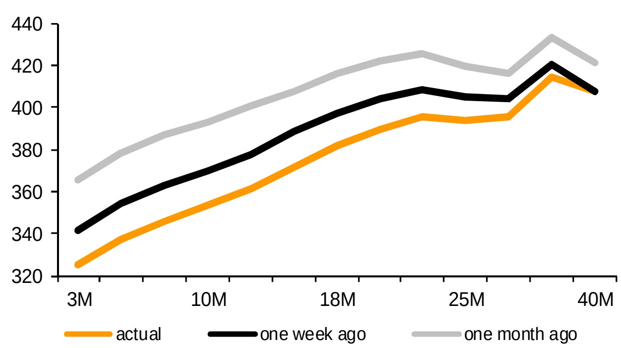
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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



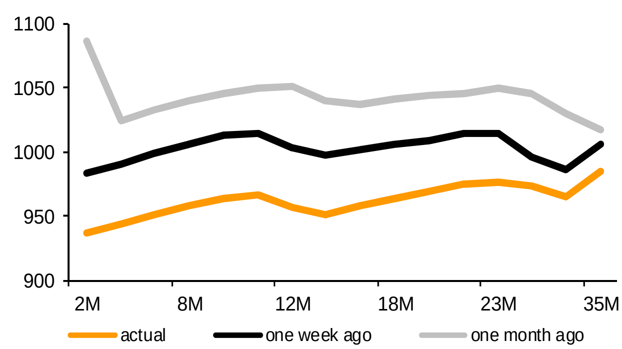
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

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



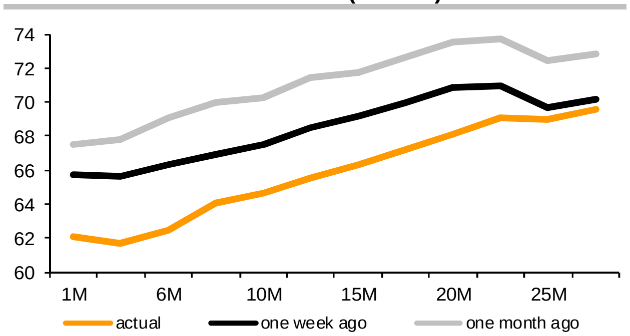
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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



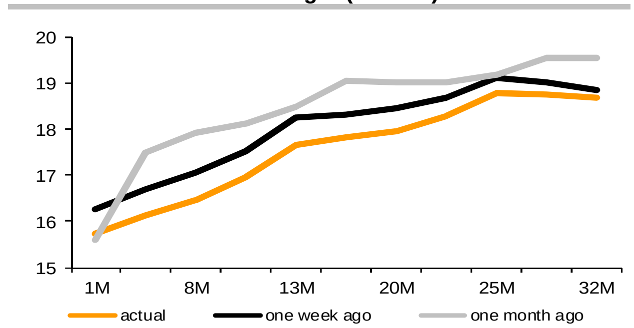
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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