

Commodities Daily

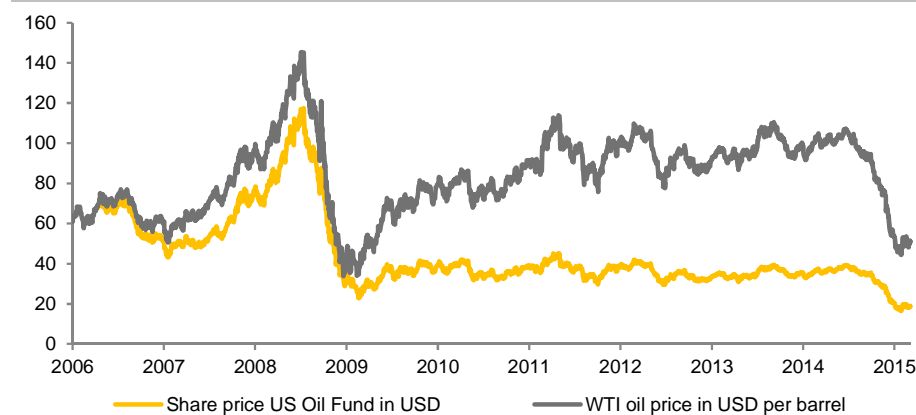
06 March 2015

Draghi drives up gold price in euros

Energy: The oil market clearly wants to rise, as reports of the still considerable oversupply are pressuring oil prices only briefly. People often like to cite fears of tighter supply as the reason why prices are picking up. However, even though the deteriorating security situation in Libya has forced the closure of eleven oil fields and a smaller-scale oil field in central Iraq was set on fire by the IS terrorist group, oil can hardly be said to be in tight supply on this side of the Atlantic either. According to current loading data, the supply of Brent, Forties, Oseberg and Ekofisk – the four oil types in the Brent basket – is set to increase by 5.5% to 960,000 barrels per day in April. There also appear to be signs of agreement being reached in the nuclear negotiations with Iran, which could mean up to 1 million barrels per day of Iranian oil additionally reaching the market. In our opinion, investment money in particular is probably driving up the price at present. We had already pointed out that net long positions in Brent held by speculative investors had soared by 40% since early February. Open interest in Brent on the ICE has been at a record high since the beginning of February. According to a Reuters report, assets invested in the five largest oil ETFs has increased more than four-fold to \$5.4 billion since July 2014. That said, the price performance of the US Oil Fund – the largest oil ETF – shows that oil investments have not yielded any returns in recent years. The rising forward curves also suggest little in the way of profits in the coming months either, which will doubtless disappoint investors.

Precious metals: The gold price in US dollar terms is continuing to trade largely unchanged at around the \$1,200 per troy ounce mark. It is thus successfully resisting the firm US currency which appreciated to an 11½-year high during the ECB press conference which followed the bank's meeting. Gold in euro terms made noticeable gains yesterday, for a time reaching a three-week high of €1,095 per troy ounce. As ECB President Draghi announced, the ECB will begin purchasing government bonds and other securities on Monday. Because it is clearly convinced that its purchasing programme will be effective, it has raised its forecasts for economic growth and inflation in the Eurozone. Our economists take a more sceptical view and see potential for disappointment here. In our opinion, the ECB may need to extend its purchasing programme beyond September 2016 or increase the scope of its monthly purchases (€60 billion) if it is to achieve its targets. This should benefit precious metals, above all gold and silver. The gold market could see further movement this afternoon when the US labour market report is published if it turns out to be surprising or has any impact on the EUR-USD exchange rate. Robust figures are likely to fuel expectations of interest rate hikes and put pressure on the gold price in USD in the form of a further appreciating US dollar, as was the case a month ago.

CHART OF THE DAY: Investments in crude oil – much ado about nothing



Source: Bloomberg, Commerzbank Corporates & Markets

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Base metals: Having defied the continued appreciation of the US dollar with a fair degree of success yesterday, metal prices are falling after all this morning. Aluminium has dipped below the \$1,800 per ton mark again. There appears to be some movement in the negotiations over the second-quarter physical aluminium premiums in Japan: according to industry sources, one Japanese buyer has already agreed with a producer on a premium of \$380 per ton. This would be almost 11% down on the current quarter, as well as the first drop in premiums in six quarters. Reasons for the decline are likely to be the record-high stocks in the Japanese ports and the ample supply situation in the region after China exported significantly more aluminium of late. Premiums are meanwhile tumbling in other regions/countries, too. According to figures from Metal Bulletin, they currently amount to a good \$300 per ton (duty unpaid) in Europe – nearly \$430 had to be paid at their peak in November. The premium is well below \$500 per ton in the US, though the decline there is smaller than in Europe. We assume that premiums will fall further, the plentiful supply on the world market and the LME's warehousing reform both playing their part. The declining premiums should put the brakes on the sliding LME aluminium price.

Agriculturals: The wheat price on the CBOT is still in free fall and is currently trading at a five-month low of 480 US cents per bushel. US wheat has shed nearly 6% since the beginning of the week – unless it recovers, this will constitute its most pronounced weekly loss in half a year. There is no immediate prospect of any improvement: the continued appreciation of the US dollar means that US wheat is becoming less and less competitively priced. To make matters worse, the EU wheat price traded on the Liffe in Paris has also fallen recently, meaning that US wheat is probably still too expensive for many consumers. They are resorting instead to the cheaper EU wheat. Although US wheat exports were at least able to climb to a good 500,000 tons last week, they were still only roughly half as high as the wheat volume exported from the EU in the same reporting week. The European Commission has reported wheat exports of “only” a good 500,000 tons for this week, however, which was the lowest figure since the beginning of January. In recent months, what appears a low figure for EU wheat exports has proven to be the upper ceiling for the US.

The director of the International Cocoa Organization (ICCO) has called on Ivory Coast, the world's largest cocoa producer, to limit production in a bid to prevent a slump in prices. According to the ICCO, Ivorian cocoa production could reach 2 million tons in the next few years. The ICCO envisages 1.72 million tons in the current 2014/15 crop year, following a record 1.74 million ton crop last year. In the preceding ten years, the crop averaged 1.4 million tons.

Prices

Energy 1)	current	1 day	1 week	1 month	1 year
Brent Blend	60.5	-0.1%	-2.2%	5.9%	-43%
WTI	50.8	-1.5%	2.9%	-1.0%	-50%
Gasoline	596.0	0.1%	1.9%	15.7%	-37%
Gasoil	571.0	0.7%	-1.5%	3.9%	-37%
Diesel	576.8	-0.9%	-1.2%	6.2%	-38%
Jet fuel	596.8	-0.9%	-1.1%	1.4%	-38%
Natural gas (\$/mmBtu)	2.84	2.6%	4.4%	10.6%	-39%
Base metals 2)					
Aluminum	1802	0.1%	-0.7%	-3.7%	0%
Copper	5835	-0.1%	-1.6%	2.6%	-18%
Lead	1820	2.6%	4.1%	-2.9%	-16%
Nickel	14200	1.9%	0.9%	-6.6%	-8%
Tin	18140	1.9%	1.1%	-1.9%	-22%
Zinc	2020	-0.5%	-2.3%	-6.7%	-4%
Precious metals 3)					
Gold	1198.3	-0.2%	-1.5%	-3.1%	-12%
Gold (€/oz)	1086.7	0.1%	0.3%	0.0%	11%
Silver	16.2	-0.2%	-3.9%	-4.5%	-26%
Platinum	1179.0	-0.3%	-1.1%	-3.9%	-21%
Palladium	826.3	-0.1%	0.9%	5.1%	6%
Agriculturals 1)					
Wheat (LIFFE, €/t)	185.0	-0.7%	-0.5%	-1.1%	-6%
Wheat CBOT	480.5	-3.1%	-3.7%	-8.6%	-25%
Corn	390.5	0.3%	0.1%	0.6%	-21%
Soybeans	979.3	-1.0%	-5.4%	0.2%	-32%
Cotton	63.2	-0.6%	-2.5%	2.6%	-31%
Sugar	13.44	1.3%	-0.9%	-7.3%	-26%
Coffee Arabica	135.1	-1.8%	-2.4%	-18.0%	-31%
Cocoa (LIFFE, £/t)	2042	0.0%	1.7%	7.0%	10%
Currencies 3)					
EUR/USD	1.1030	-0.4%	-1.8%	-2.8%	-21%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	444374	-	2.4%	9.3%	22%
Gasoline	240060	-	0.0%	0.7%	5%
Distillates	122976	-	-1.4%	-7.3%	7%
Ethanol	21528	-	-0.3%	4.4%	30%
Crude oil Cushing	49216	-	1.1%	26.6%	53%
Natural gas	1710	-	-11.8%	-32.8%	43%
Gasoil (ARA)	3107	-	-0.2%	3.4%	56%
Gasoline (ARA)	875	-	-0.7%	-16.4%	-1%
Base metals **					
Aluminum LME	3911775	-0.2%	-0.9%	-2.5%	-26%
Shanghai	213886	-	1.9%	15.0%	-31%
Copper LME	323050	1.5%	9.0%	13.6%	19%
COMEX	19513	3.2%	8.9%	-3.4%	49%
Shanghai	224340	-	9.4%	60.9%	8%
Lead LME	213950	0.0%	-0.4%	-0.1%	5%
Nickel LME	431952	0.1%	0.8%	1.8%	60%
Tin LME	10630	-0.2%	-2.3%	-10.3%	16%
Zinc LME	547075	-0.9%	-3.6%	-11.2%	-28%
Shanghai	124496	-	2.8%	28.1%	-54%
Precious metals ***					
Gold	53603	0.0%	-0.7%	-0.6%	-4%
Silver	626908	0.0%	0.0%	0.9%	-1%
Platinum	2683	0.0%	1.5%	-0.7%	7%
Palladium	2928	0.0%	-1.3%	-3.2%	39%

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

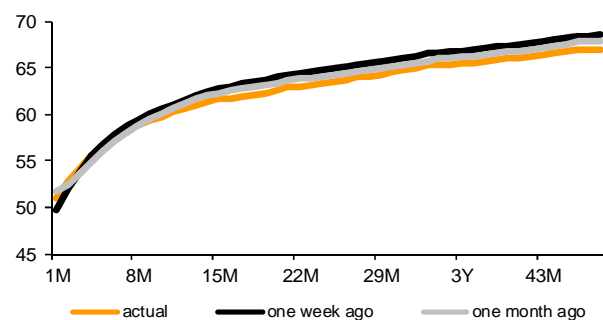
Percentage change on previous period

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

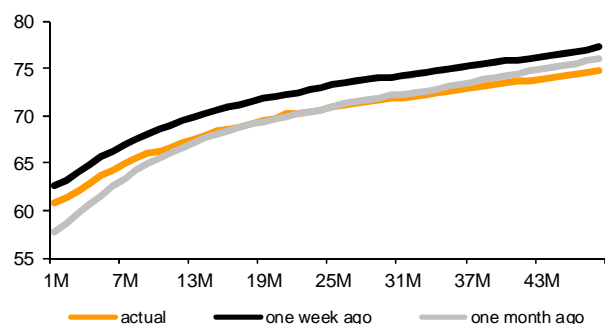
Crude oil in USD per barrel, oil products and base metals in USD per ton, Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel, Cotton, sugar and coffee Arabica in US cents per pound

* 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

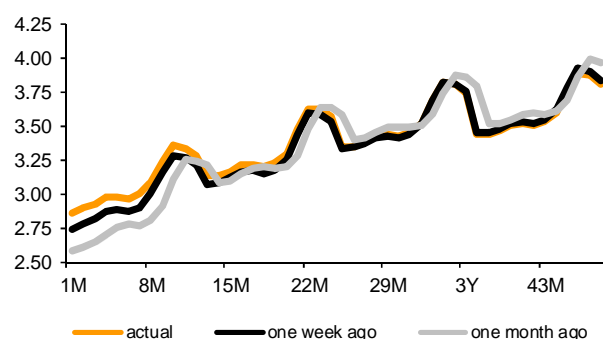
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)

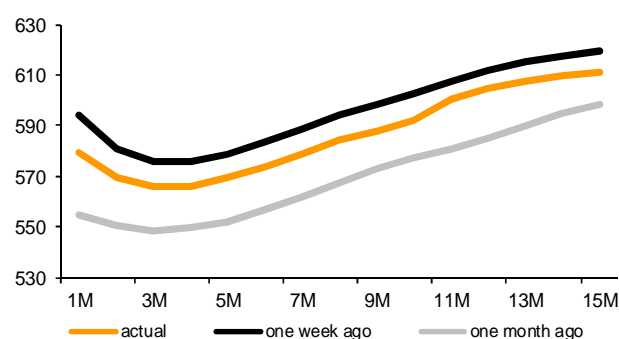
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve oil market (Brent)

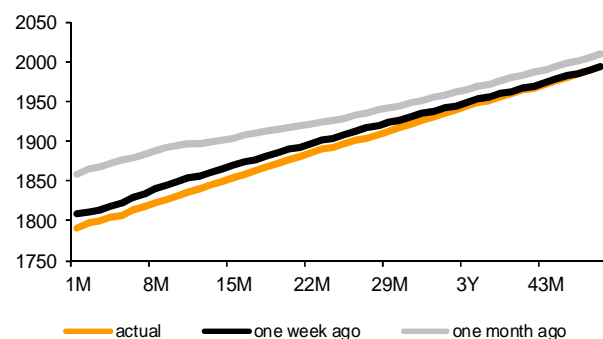
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve gas market (Henry Hub)

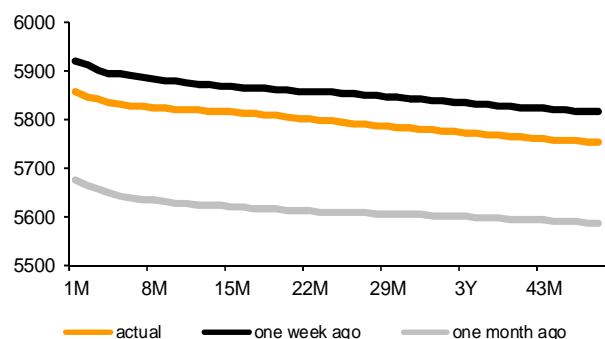
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve gasoil (ICE)

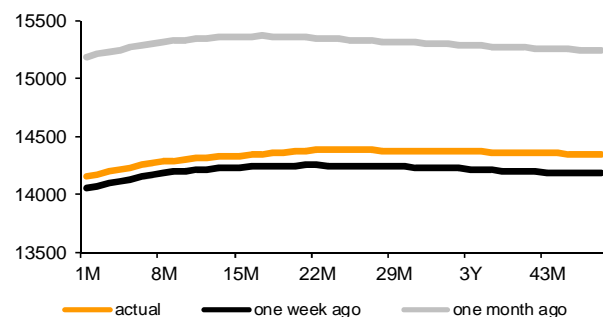
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve aluminium (LME)

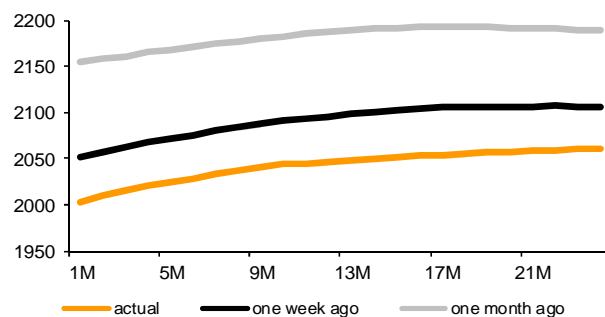
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve copper (LME)

Source: LME; Bloomberg, Commerzbank Corporates & Markets

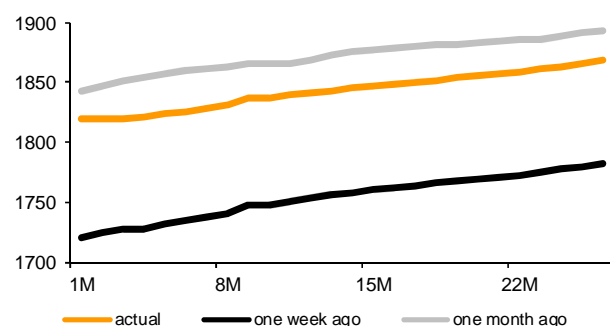
GRAPH 7: Forward curve nickel (LME)

Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve zinc (LME)

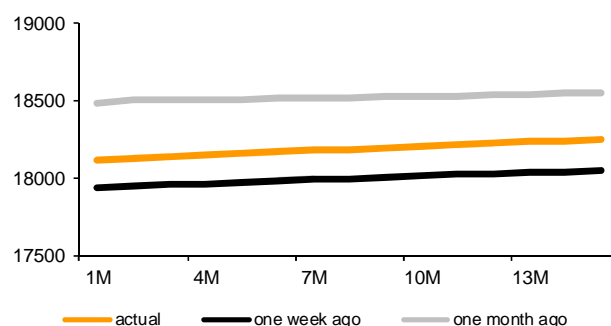
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve lead (LME)



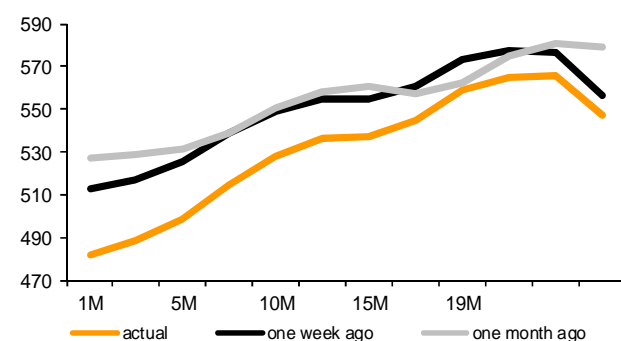
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve tin (LME)



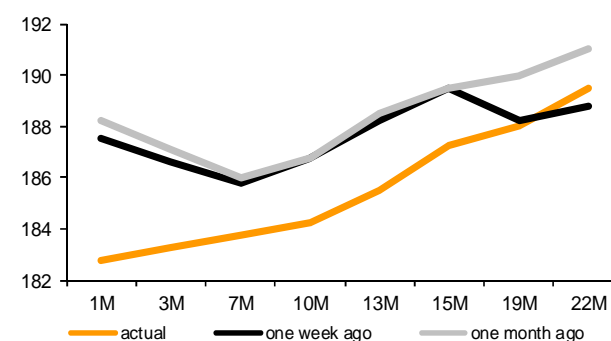
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve wheat (CBOT)



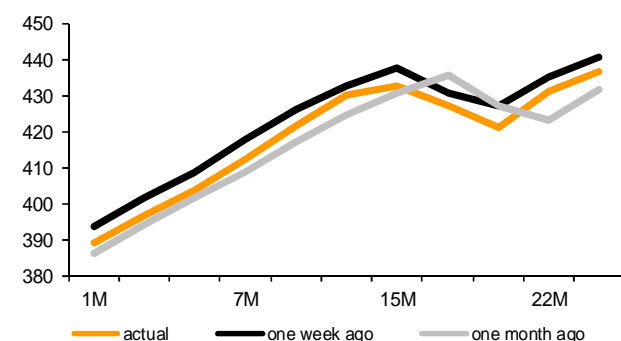
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve wheat (Paris)



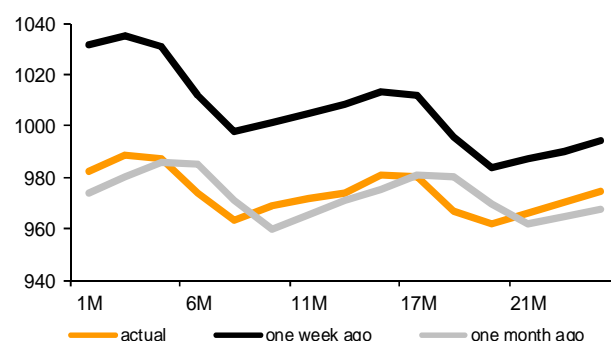
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve corn (CBOT)



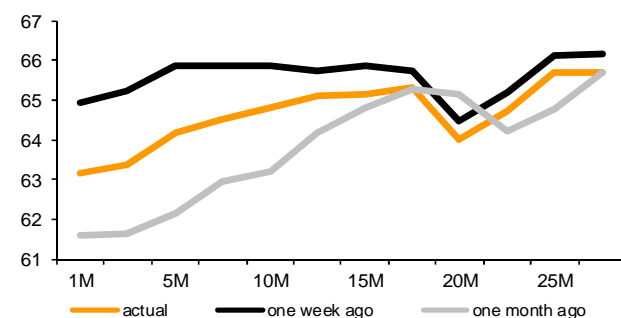
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve soybeans (CBOT)



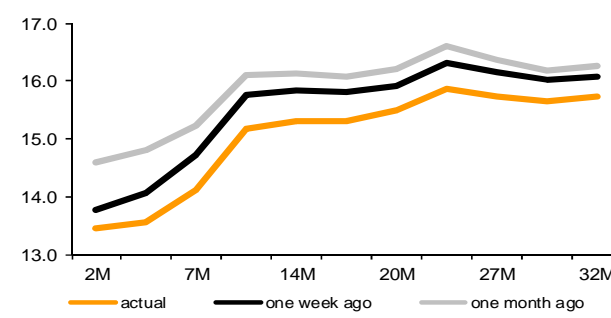
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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