

Commodities Daily

30 July 2015

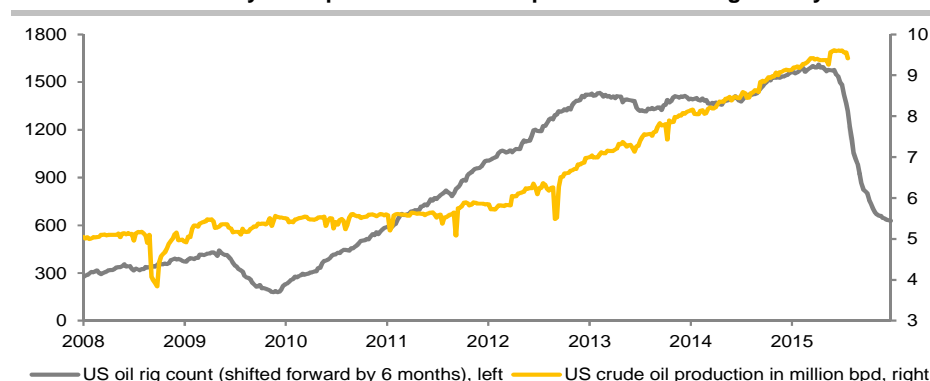
Sharp rise in silver demand expected

Energy: Oil prices made strong gains following the publication of the US inventory data yesterday afternoon. Brent increased in price by \$1.5 to \$54.5 per barrel, while WTI even rose by almost \$2 to reach \$49.5 per barrel. The US Department of Energy reported an unexpectedly sharp 4.2 million barrel decline in US crude oil stocks for last week. Besides a significant fall in imports, a decrease in crude oil production by 145,000 barrels per day was responsible for the inventory reduction. This was the most pronounced drop in production in recent years, leaving brief weather-related production outages out of the equation. Because the decline in production was not attributable to such special factors, it could prove sustainable. A clearer picture will be provided by figures to be published next week. The slump in drilling activity – the oil rig count is still more than 50% below its start-of-year level despite the recent increase – makes a further fall in US oil production in the coming months probable. For August, for example, the US Energy Information Administration envisages US crude oil production of just shy of 9.4 million barrels, which makes the decrease reported yesterday appear plausible. On the demand side, there was a slight fall in crude oil processing, though at just short of 16.8 million barrels per day it still remains at an extremely high level. Although gasoline demand dropped sharply, it remained above the year-on-year level, supporting a further reduction of gasoline stocks. The distillate inventory build continued, on the other hand, stocks rising by 2.6 million barrels and now finding themselves at their highest level since February 2012.

Precious metals: Gold has fallen significantly to \$1,085 per troy ounce this morning despite the fact that the Fed statement contained only marginal changes and gave no clear signal that interest rate hikes would be forthcoming in September. The Fed Fund Futures still see only a roughly 40% likelihood of this happening. The chances could be increased by robust US GDP data today, however, as the Fed is making the first rate hike heavily dependent on economic data.

According to the Silver Institute, silver demand for jewellery and key industrial applications picked up considerably in the first half of 2015, silver jewellery being in demand in the US in particular. Thomson Reuters GFMS, the research institute specialized in analysing precious metals, estimates that global jewellery demand will grow by 5% this year, and that industrial silver demand will pick up by 2%. The renewable energy sector among other things will play its part in this, where for example GFMS anticipates 8% higher demand from the photovoltaic industry. Silver demand in ethylene oxide production also looks set to rise sharply (+61%). Ethylene oxide is used to produce plastics, solvents and detergents. GFMS expects demand from the electronics industry, the biggest demand component, to increase only slightly year-on-year. Overall, the global silver market is set to show a physical supply deficit of 57.7 million ounces (1,788 tons) in 2015. If this estimate turns out to be accurate, the silver price should be able to gain noticeably.

CHART OF THE DAY: Delayed response of US oil output to fall in drilling activity



Source: Baker Hughes, DOE, Bloomberg, Commerzbank Research

For important disclosure information please see page 6.

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US inventories crude oil/products

24.7.	Weekly chg	Survey	Total
Crude oil	-4.20	+0.13	459.7
- Cushing	-0.21		57.7
Gasoline	-0.36	+0.11	215.9
Distillates	+2.59	+1.02	144.1
Ref.utilis.(%)	-0.40	-0.04	95.1
Oil imports	-0.40		7.5
Oil production	-0.15		9.4

24.7.	5-y average	Survey	Prior
Natural gas	46	55	61

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

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Base metals: The recovery movement enjoyed by base metals already appears to be running out of steam, prices looking weaker across the board this morning. Copper for example is trading at below \$5,300 per ton again, while aluminium costs around \$1,650 per ton and nickel is only just holding its own above the \$11,000 per ton mark. One of the reasons for the weak prices is no doubt the appreciation of the US dollar in the wake of the Fed meeting. By contrast, the iron ore price gained by a significant 4.6% yesterday to achieve a four-week high of \$55.9 per ton. The price has meanwhile recovered by 25% from its record low at the start of the month. The latest increase was facilitated by speculation that Chinese steel manufacturers are buying iron ore in the country's ports. Stocks at Chinese ports total 82.5 million tons, which is only slightly above the 20-month low they hit at the end of June. Unlike base metals, the iron ore market is not nearly as strongly influenced by speculative financial investors, meaning that the price increase has a solid basis. The second-quarter GDP figures will be published in the US today. Following a weak first quarter (-0.2%), the market now expects to see a significant upswing again (+2.5%). What is more, the first quarter figure could be upwardly revised. Provided that the figures do not prove disappointing, metal prices should be lent support. After China, the US is the world's second-largest consumer of metals.

Agriculturals: Having fallen on Tuesday to its lowest level since January 2009, the sugar price managed to recover somewhat during the course of trading yesterday. For a time, the October contract for sugar gained by nearly 3.5%. By the close of trading the price was at 11.46 US cents per pound, constituting a daily gain of a not insignificant 2.6%. One reason for the price rise was the appreciation of the currency in Brazil, the world's largest sugar producer. Furthermore, the premium for white sugar as compared with raw sugar increased noticeably more sharply, which points to higher final demand. Market participants are confident that the demand forecasts for this year could be exceeded. Besides growing demand, the El Niño weather phenomenon could also be lending further buoyancy to the sugar price. Assessments of the drought in Thailand, the second most important sugar export country, show that the first sugar cane plants in the northeast of the country are already damaged. According to the Indian Sugar Mills Association, the lower rainfall in India – the second most important sugar processor worldwide – could also result in sugar production in the key growing area of Maharashtra declining by as much as 7.6% to 9.7 million tons. If the weather conditions and the resulting smaller crop were to cause the global stocks of sugar to be decreased more sharply, this could lead to higher prices. The global sugar market in 2015/16 is already expected to show its first supply deficit in six years.

Prices

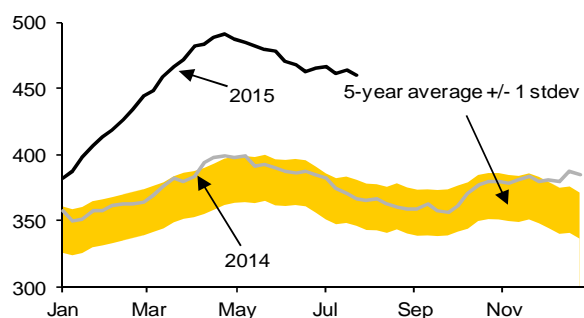
Energy 1)	current	1 day	1 week	1 month	2015
Brent Blend	53.4	0.2%	-2.6%	-15.4%	-6%
WTI	48.8	1.7%	0.9%	-17.8%	-8%
Gasoline	629.0	1.7%	-3.8%	-7.5%	32%
Gasoil	499.5	0.1%	-3.6%	-13.9%	-5%
Diesel	493.8	-0.1%	-3.7%	-12.3%	-5%
Jet fuel	508.5	-0.2%	-4.3%	-14.3%	-11%
Natural gas (\$/mmBtu)	2.86	0.1%	1.8%	1.2%	-1%
Base metals 2)					
Aluminum	1662.5	0.5%	1.2%	-2.1%	-11%
Copper	5328	0.6%	0.6%	-8.0%	-16%
Lead	1727	0.3%	-0.8%	-2.4%	-8%
Nickel	11250	-0.7%	-2.6%	-7.1%	-27%
Tin	16200	0.3%	6.9%	14.8%	-18%
Zinc	1966	-0.7%	-1.6%	-2.6%	-11%
Precious metals 3)					
Gold	1096.8	0.1%	-0.4%	-7.3%	-8%
Gold (€/oz)	998.6	0.8%	-0.2%	-5.8%	1%
Silver	14.8	0.9%	0.1%	-6.7%	-6%
Platinum	986.7	0.2%	0.8%	-8.6%	-18%
Palladium	622.5	0.1%	0.3%	-8.2%	-22%
Agriculturals 1)					
Wheat (LIFFE, €/t)	183.0	-1.2%	-3.2%	-8.4%	-9%
Wheat CBOT	496.3	-2.8%	-2.9%	-19.3%	-6%
Corn	367.8	-1.9%	-5.9%	-10.8%	2%
Soybeans	943.3	-0.2%	-1.6%	-8.4%	-12%
Cotton	63.9	-1.2%	-1.3%	-6.0%	0%
Sugar	11.46	3.7%	3.0%	-7.1%	-30%
Coffee Arabica	122.2	1.6%	-0.1%	-7.7%	-33%
Cocoa (LIFFE, €/t)	2139	0.2%	-1.9%	-2.1%	8%
Currencies 3)					
EUR/USD	1.0984	-0.7%	-0.2%	-1.6%	-9%

Inventories

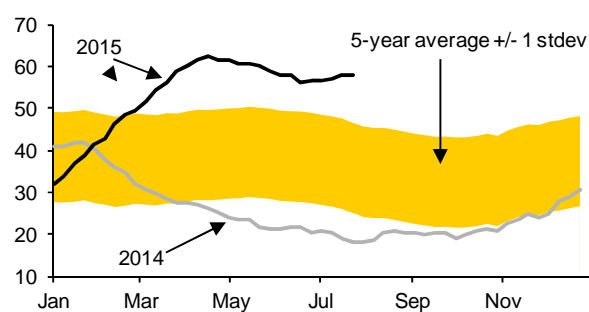
Energy *	current	1 day	1 week	1 month	1 year
Crude oil	459682	-	-0.9%	-0.7%	25%
Gasoline	215922	-	-0.2%	-1.2%	-1%
Distillates	144103	-	1.8%	6.4%	14%
Ethanol	19648	-	0.5%	-1.0%	6%
Crude oil Cushing	57706	-	-0.4%	2.6%	222%
Natural gas	2828	-	2.2%	16.2%	27%
Gasoil (ARA)	3182	-	-1.9%	5.0%	21%
Gasoline (ARA)	1094	-	11.5%	26.9%	32%
Base metals **					
Aluminum LME	3443850	-0.3%	-1.3%	-3.9%	-31%
Shanghai	318911	-	-0.1%	11.1%	-16%
Copper LME	346125	0.3%	1.6%	6.8%	134%
COMEX	37283	-0.3%	-1.2%	26.0%	57%
Shanghai	101251	-	-7.1%	-19.1%	-1%
Lead LME	220100	-0.2%	3.1%	25.8%	3%
Nickel LME	460998	0.7%	1.6%	1.0%	47%
Tin LME	6995	0.1%	-2.5%	-8.4%	-41%
Zinc LME	436800	-0.5%	-2.4%	-5.9%	-33%
Shanghai	176763	-	2.3%	-2.2%	-14%
Precious metals ***					
Gold	49385	-0.2%	-1.6%	-3.6%	-11%
Silver	623672	-0.1%	-0.4%	0.4%	-1%
Platinum	2762	0.6%	1.0%	3.4%	-4%
Palladium	2947	0.0%	-0.8%	-0.8%	-4%

Source: DOE, PJK, LME, COMEX, SHFE, Bloomberg, Commerzbank Research

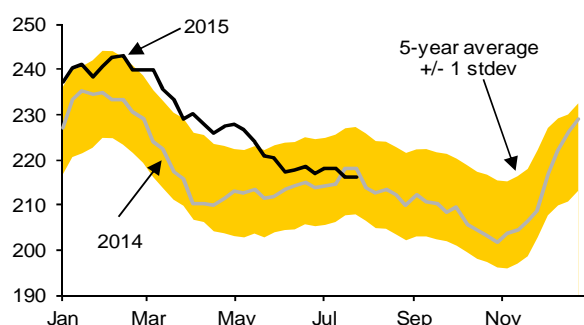
Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot
 Crude oil in USD per barrel, oil products and base metals in USD per ton,
 Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel,
 Cotton, sugar and coffee Arabica in US cents per pound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

DOE data: US inventories of crude oil and oil products**GRAPH 1: Crude oil inventories (in mbbl)**

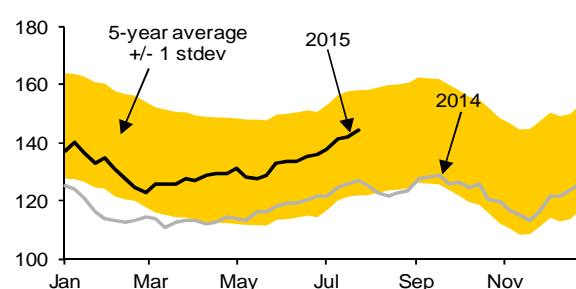
Source: DOE; Bloomberg, Commerzbank Research

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

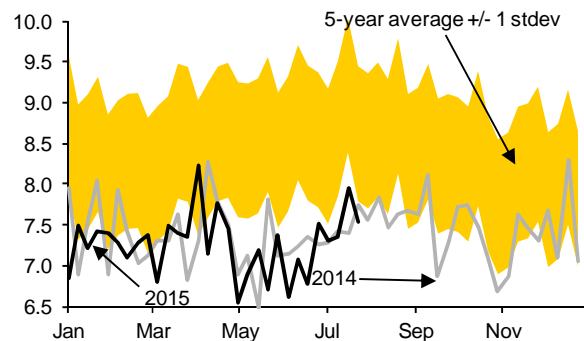
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 3: Gasoline inventories (in mbbl)

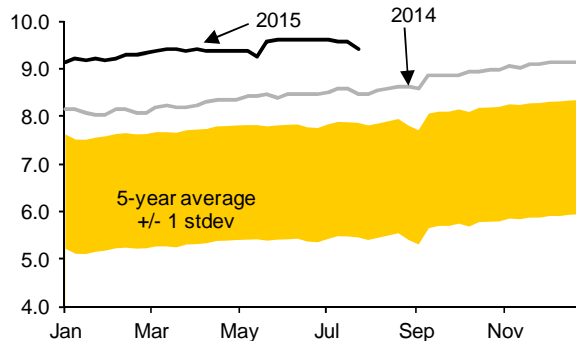
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 4: Distillates inventories (in mbbl)

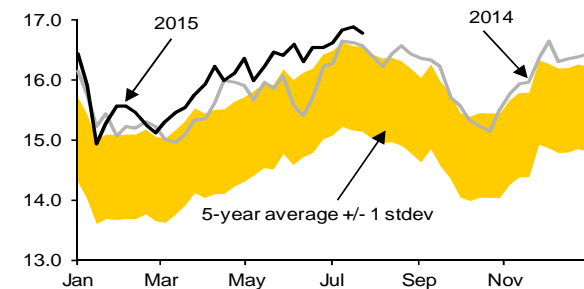
Source: DOE; Bloomberg, Commerzbank Research

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

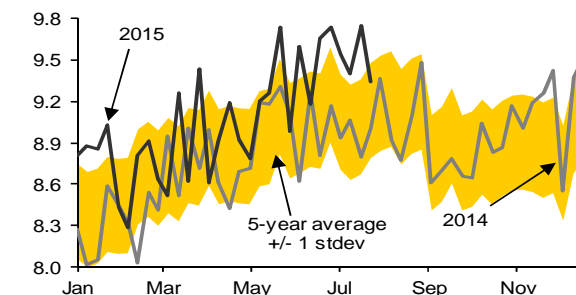
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 6: Oil production (in mbbl/day)

Source: DOE; Bloomberg, Commerzbank Research

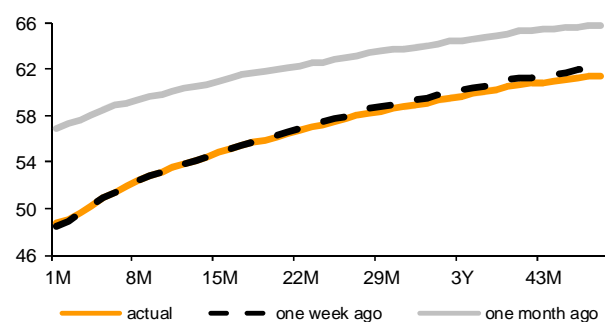
GRAPH 7: Refinery runs (in mbbl/day)

Source: DOE; Bloomberg, Commerzbank Research

GRAPH 8: Gasoline demand (in mbbl/day)

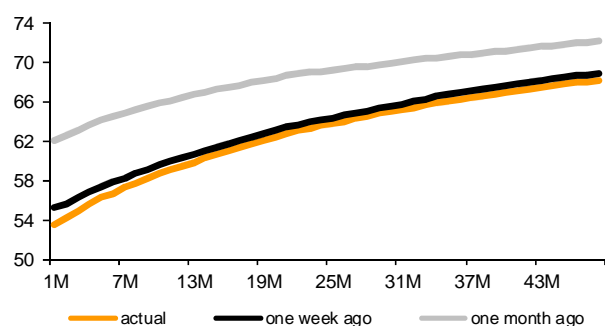
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



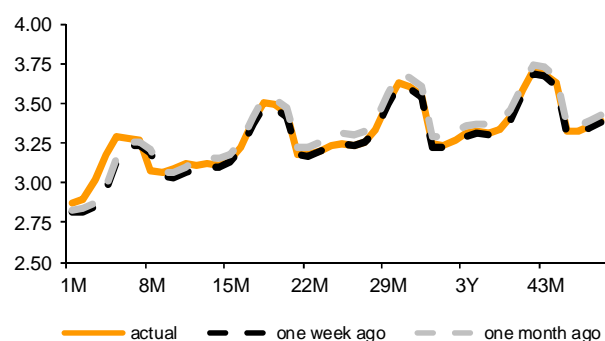
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



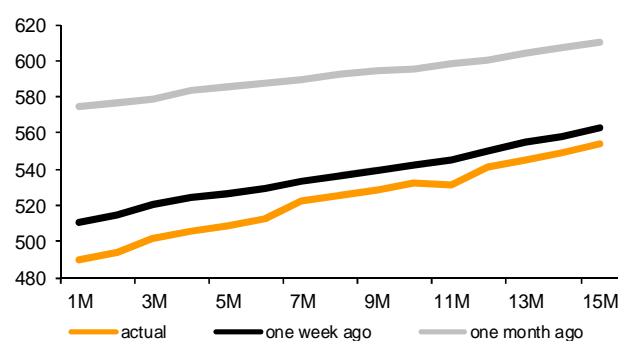
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



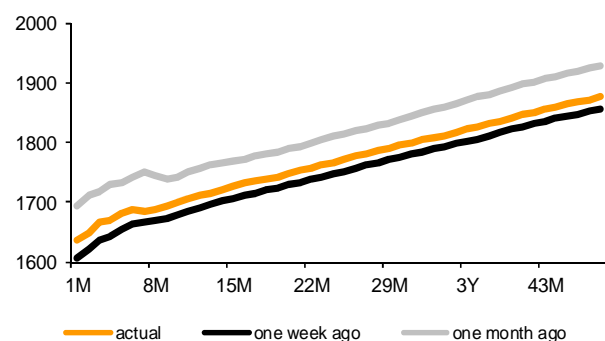
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



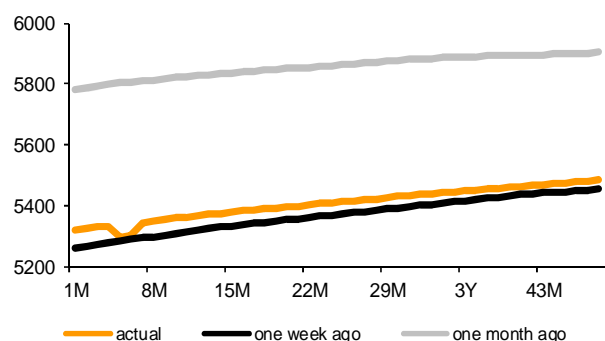
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



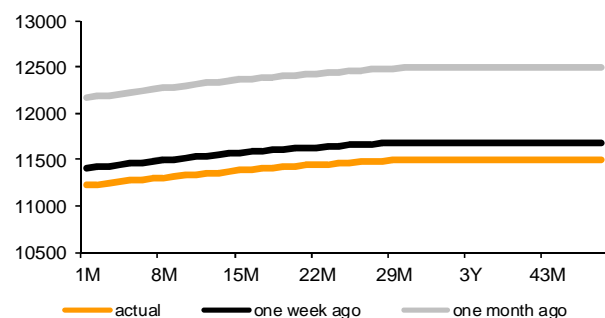
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



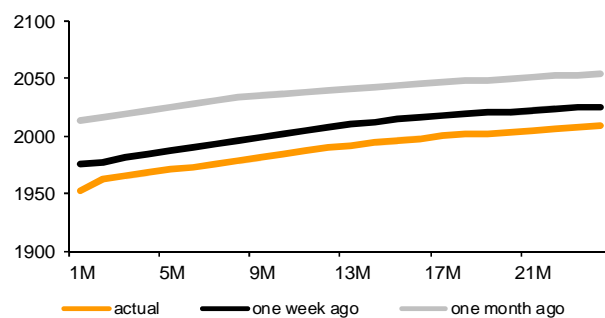
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve nickel (LME)



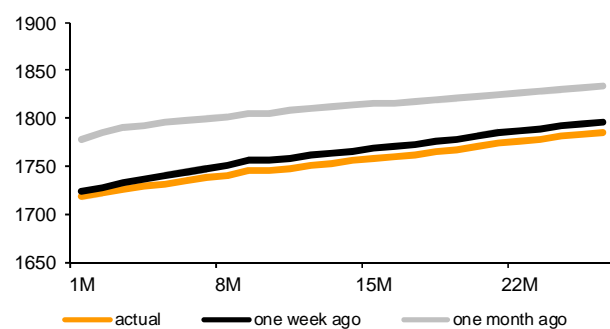
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



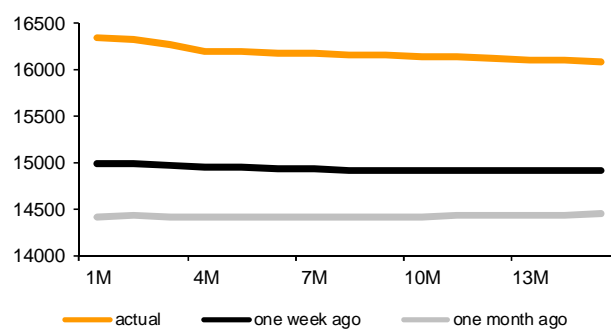
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



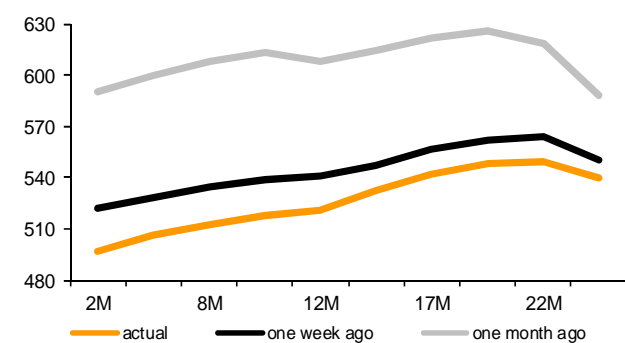
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



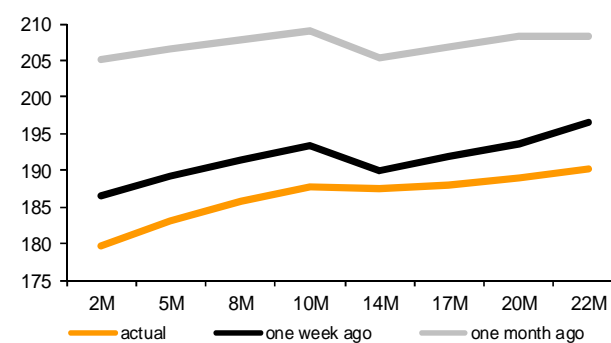
Source: LME; Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



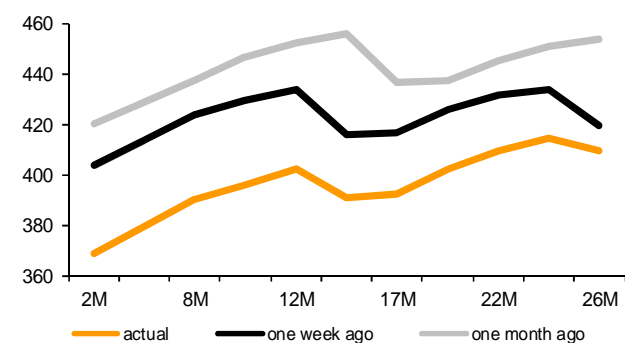
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



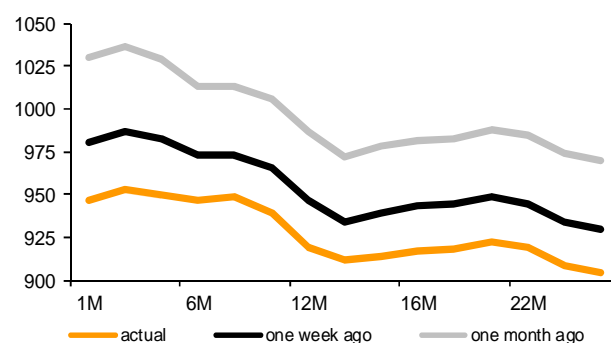
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 21: Forward curve corn (CBOT)



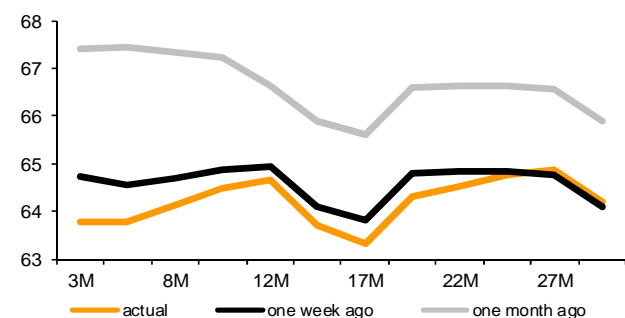
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



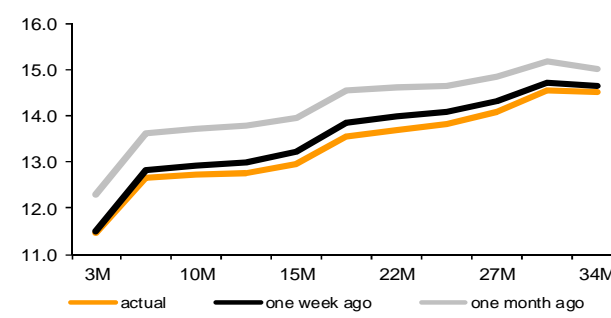
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 23: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

GRAPH 24: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

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