

# Commodities Daily

24 September 2015

## VW scandal drives palladium price up sharply

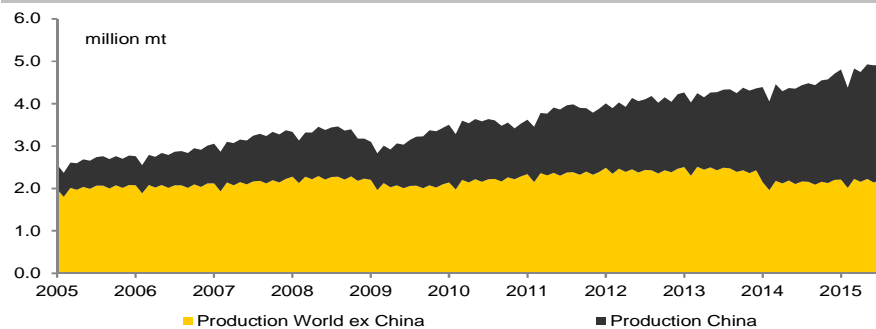
**Energy:** One has to look carefully at yesterday's US inventory report to discover the fly in the ointment that caused oil prices to fall by a good \$2 in the late course of trading. After all, the decline in crude oil stocks should really have suggested higher prices given that it totalled nearly 2 million barrels despite a significant fall in capacity utilization, and as such was higher than had been anticipated. Any increase in gasoline stocks, which might perhaps have weighed on prices, is of little relevance now that the summer driving season has come to an end. Instead, the focus is shifting to distillate stocks as the heating season approaches. That said, they have likewise fallen surprisingly sharply on the back of robust demand, which should also have lent support to prices. The slight week-on-week increase in US crude oil production is doubtless to blame for them coming under pressure nonetheless. This presumably came as a disappointment in particular to those market participants who had been betting on a faster reduction of the oversupply given all the previous reports of declining drilling activity. Although not every detail of the weekly report always fits, however, the overall picture remains unchanged: the market is oversupplied at the current edge, which will be alleviated in the medium term by a reduction in US oil output.

The scandal over manipulated emissions data in VW diesel vehicles (see below) will cast a long shadow over the diesel market because it could put the brakes on demand for diesel cars and thus reduce the consumption of diesel. That said, it will take some time for the composition of the global fleet – and by extension the demand for particular fuels – to shift noticeably. In the short term, the diesel price is being dampened by China's diesel exports, which keep climbing to ever new record highs.

**Precious metals:** Finding support from a weaker US dollar, gold has risen to \$1,135 per troy ounce this morning and is pulling silver up with it. During his testimony before the European Parliament yesterday, ECB President Draghi gave no indication that the ECB would soon be extending or expanding its QE programme. Given the solid economic data to come out of the Eurozone recently, we also see no urgent need to do so.

Palladium rose in price by 7% at its peak yesterday and has continued to climb this morning to a two-month high of over \$660 per troy ounce. This precious metal, which is used primarily in the production of autocatalysts for gasoline engines, is clearly profiting from the scandal surrounding the German car manufacturer Volkswagen. The manipulation of emissions data for diesel engines could temporarily lead to reduced sales of diesel vehicles and to increased demand for gasoline-powered vehicles, which in turn would doubtless weigh on the platinum price given that platinum is used in diesel autocatalysts. The automotive industry is the biggest consumer of platinum, and according to data from Johnson Matthey accounted for 44% of overall platinum demand last year. As a result, the platinum price dipped for a time below \$930 per troy ounce yesterday to hit its lowest level since January 2009. That said, there are also likely to be some positive consequences of the scandal because we expect it to result in emissions regulations being tightened, which should generate higher demand for both palladium and platinum.

### CHART OF THE DAY: Global aluminium production at record high thanks to China



Source: IAI, Bloomberg, Commerzbank Research

For important disclosure information please see page 6.

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### US inventories crude oil/products

18.9.	Weekly chg	Survey	Total
Crude oil	-1.93	-1.16	454.0
- Cushing	-0.46		54.0
Gasoline	+1.37	+0.76	218.8
Distillates	-2.09	+0.91	151.9
Ref.utilis.(%)	-2.20	-0.47	90.9
Oil imports	-0.01		7.2
Oil production	+0.02		9.1
18.9.	5-y average	Survey	Prior
Natural gas	79	97	73

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

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**Base metals:** After suffering heavy losses the day before, base metals embarked on a significant recovery movement yesterday – zinc leading the way. The only base metal not to join the rest was aluminium, which bucked the trend to fall to a three-week low of a good \$1,570 per ton. As data from the International Aluminium Institute (IAI) show, global aluminium production was further scaled up to a new record high of 4.95 million tons in August. At the same time, it was 10.4% up year-on-year. Aluminium production likewise grew by 10.4% year-on-year to 38.5 million tons in the first eight months of the year, the increase attributable almost solely to China. Cheap electricity, lower raw material costs and an export incentive system are cushioning some of the losses incurred by aluminium smelters, which last week averaged RMB 800 per ton (roughly \$125 per ton) according to Chinese research institute SMM. World market supply remains ample thanks to the still high Chinese exports. That said, Rusal, the world's largest aluminium producer from Russia, estimates that supply will outstrip demand this year by "only" a moderate 250,000-280,000 tons. The company expects 2016 to see a supply deficit of over 300,000 tons. In our opinion, large-scale cuts in production would be necessary for this to happen. Rusal itself is considering further production cuts totalling 200,000 tons if prices were to fall any further.

**Agriculturals:** European wheat traded in Paris increased by 1.9% in price to just shy of €175 per ton yesterday and closed at almost a one-month high. Dry weather in Russia and Ukraine were responsible for the price surge. Planting of next season's crop is currently underway in the Black Sea region, one of Europe's largest wheat exporting areas. The planted fields are too dry for the most part, which could reduce crop yields. As a Ukrainian meteorological service reports, this year saw the driest August in 54 years, and no rain is expected before the end of September. According to the Ukrainian agricultural ministry, almost 26% of the grain acreage has been planted – 100,000 hectares less than the 2 million hectares that had already been sown by this time last year. 56% of the acreage (9.6 million hectares) has been planted in Russia, which is 380,000 hectares less than last year. The European wheat price has also been lent support by the US wheat price traded in Chicago, which gained by 2.4% to 507.5 US cents per bushel yesterday, likewise closing at nearly a one-month high. The reason for the price increase are fears that frost could hamper the Australian winter wheat crop, though it remains to be seen just how badly the crop will really have been hit by the frost.

## Prices

Energy 1)	current	1 day	1 week	1 month	2015
Brent Blend	47.8	-2.7%	-1.9%	12.8%	-16%
WTI	44.5	-2.9%	-4.1%	17.6%	-16%
Gasoline	508.8	-1.0%	3.2%	-4.2%	7%
Gasoil	476.8	2.8%	0.3%	8.4%	-10%
Diesel	469.3	3.0%	-0.1%	6.9%	-10%
Jet fuel	492.3	2.9%	-0.1%	7.8%	-14%
Natural gas (\$/mmBtu)	2.57	-0.5%	-3.7%	-3.6%	-12%
Base metals 2)					
Aluminum	1577	-0.8%	-3.1%	4.0%	-15%
Copper	5057	-0.4%	-5.8%	2.6%	-19%
Lead	1698	0.9%	-1.0%	2.7%	-8%
Nickel	9750	0.6%	-1.6%	3.4%	-35%
Tin	14925	0.8%	-2.9%	7.1%	-22%
Zinc	1651	1.4%	-3.5%	-1.8%	-23%
Precious metals 3)					
Gold	1130.3	0.5%	0.4%	-1.7%	-4%
Gold (€/oz)	1010.6	-0.1%	2.5%	2.0%	4%
Silver	14.8	0.1%	-2.1%	0.5%	-6%
Platinum	931.9	-0.4%	-4.1%	-4.8%	-22%
Palladium	649.6	6.5%	5.9%	12.6%	-19%
Agriculturals 1)					
Wheat (LIFFE, €/t)	174.8	1.9%	3.9%	-0.7%	-13%
Wheat CBOT	507.5	2.4%	4.2%	-0.4%	6%
Corn	383.3	0.7%	1.5%	0.6%	16%
Soybeans	863.8	0.2%	-0.4%	-1.0%	-8%
Cotton	60.0	-0.1%	-1.0%	-6.4%	-3%
Sugar	11.55	-0.2%	-1.3%	11.2%	-27%
Coffee Arabica	116.2	0.6%	-1.8%	-8.1%	-39%
Cocoa (LIFFE, £/t)	2253	0.8%	2.9%	10.0%	14%
Currencies 3)					
EUR/USD	1.1186	0.6%	-2.0%	-3.6%	-7%

## Inventories

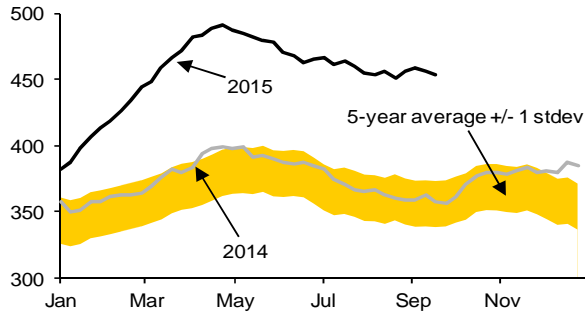
Energy *	current	1 day	1 week	1 month	1 year
Crude oil	453969	-	-0.4%	-0.5%	27%
Gasoline	218756	-	0.6%	2.8%	4%
Distillates	151875	-	-1.4%	2.3%	18%
Ethanol	18900	-	3.3%	1.8%	2%
Crude oil Cushing	54042	-	-0.9%	-5.9%	168%
Natural gas	3334	-	2.2%	12.0%	15%
Gasoil (ARA)	3678	-	0.2%	6.3%	41%
Gasoline (ARA)	1002	-	4.5%	-4.8%	57%
Base metals **					
Aluminum LME	3198450	-0.3%	-1.4%	-3.4%	-31%
Shanghai	303823	-	0.5%	-5.1%	1%
Copper LME	322900	-1.3%	-3.0%	-9.3%	107%
COMEX	40291	1.2%	3.7%	18.8%	23%
Shanghai	147847	-	5.0%	21.9%	85%
Lead LME	164450	-0.2%	-0.6%	-14.6%	-27%
Nickel LME	454812	0.2%	1.0%	-0.1%	32%
Tin LME	5125	0.0%	1.1%	-32.5%	-47%
Zinc LME	597000	-0.4%	-2.2%	14.2%	-21%
Shanghai	167227	-	4.9%	2.6%	4%
Precious metals ***					
Gold	48805	0.1%	0.1%	-0.1%	-10%
Silver	614029	-0.3%	-0.2%	-1.1%	-4%
Platinum	2814	0.0%	-0.3%	-1.2%	2%
Palladium	2876	0.0%	-0.6%	-3.5%	-2%

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

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

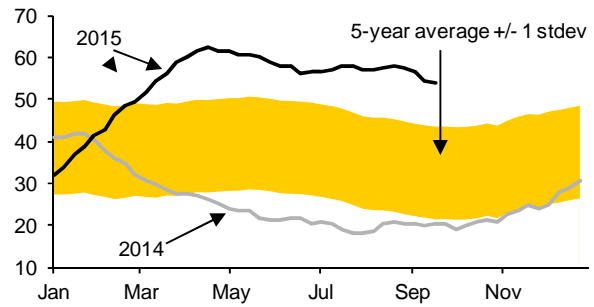
**DOE data: US inventories of crude oil and oil products**

**GRAPH 1: Crude oil inventories (in mbbbl)**



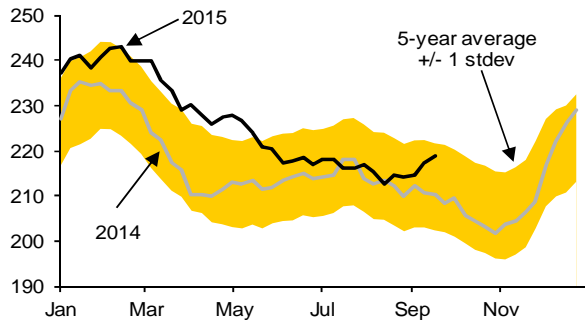
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 2: Crude oil inventories at Cushing (in mbbbl)**



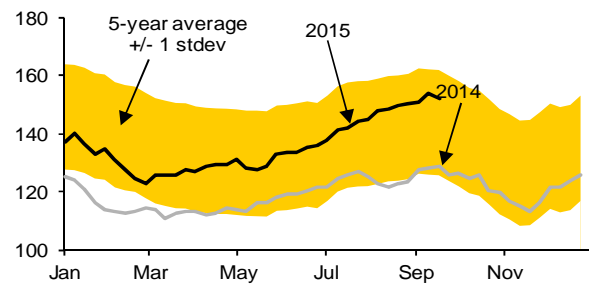
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 3: Gasoline inventories (in mbbbl)**



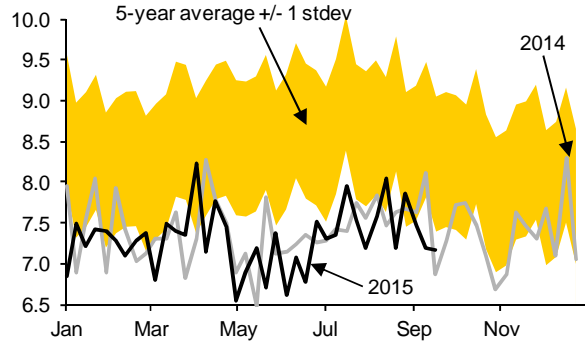
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 4: Distillates inventories (in mbbbl)**



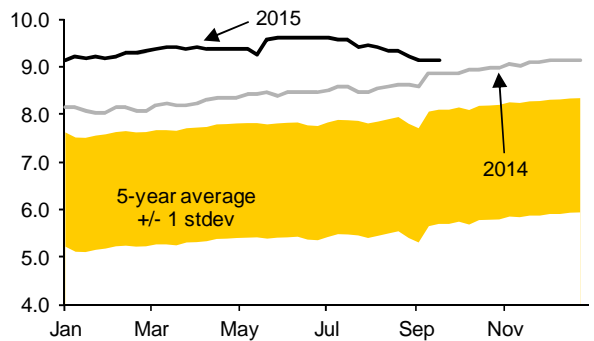
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 5: Crude oil imports (in mbbbl/day)**



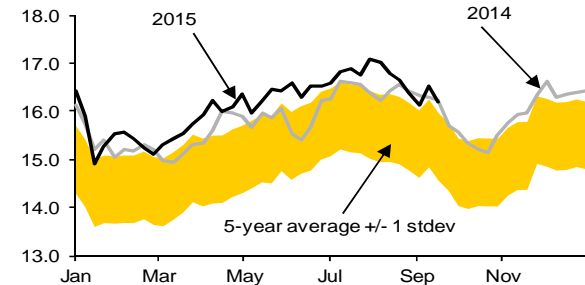
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 6: Oil production (in mbbbl/day)**



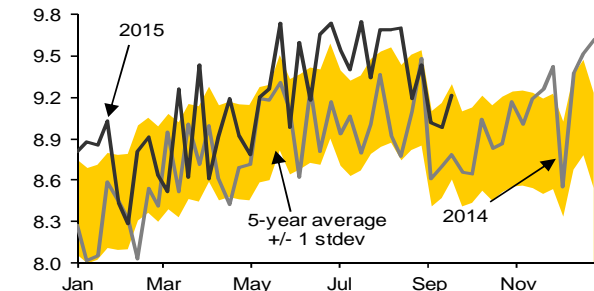
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 7: Refinery runs (in mbbbl/day)**



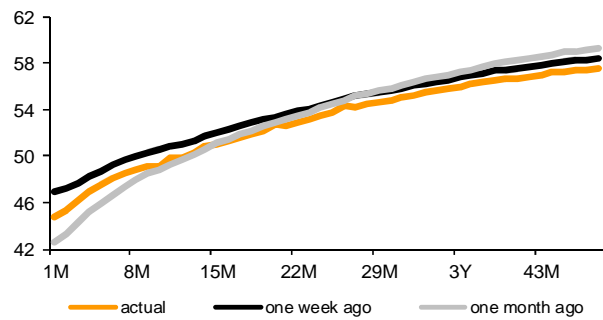
Source: DOE; Bloomberg, Commerzbank Research

**GRAPH 8: Gasoline demand (in mbbbl/day)**



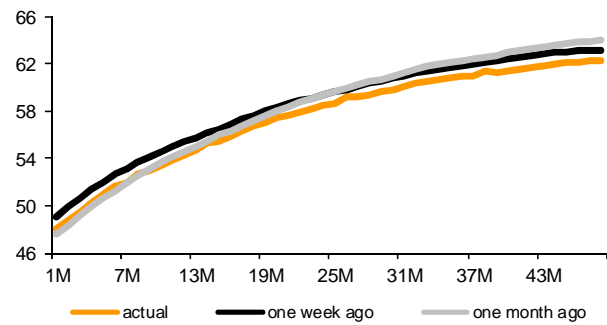
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



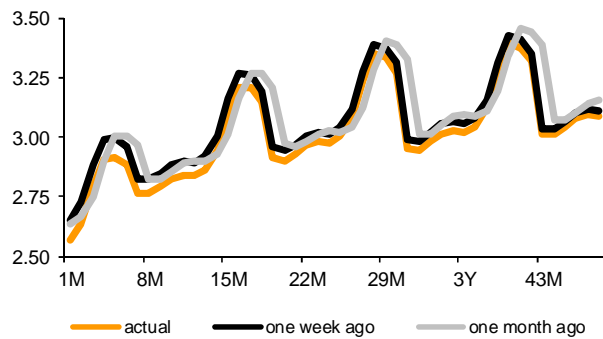
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



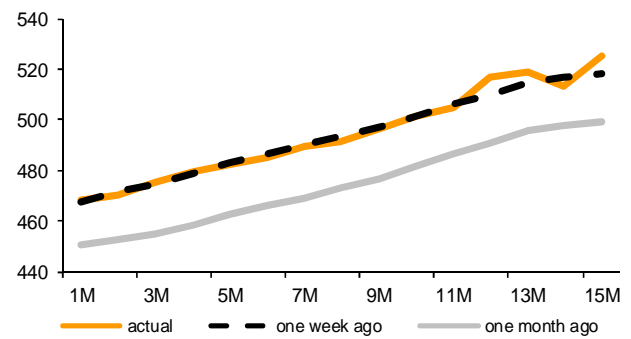
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



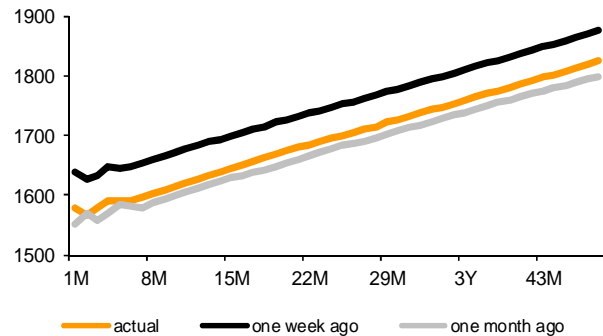
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



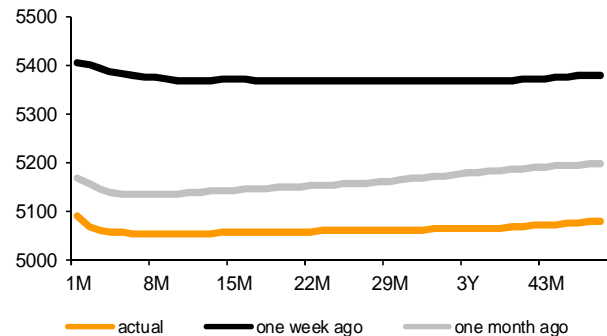
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



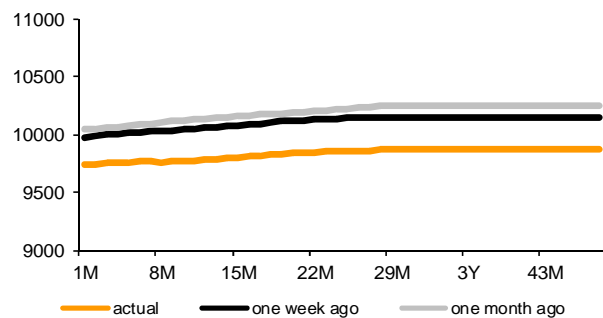
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



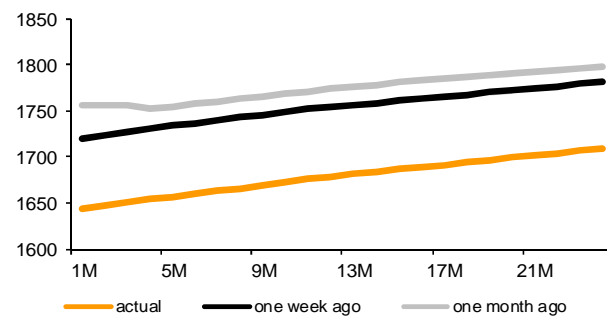
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve nickel (LME)



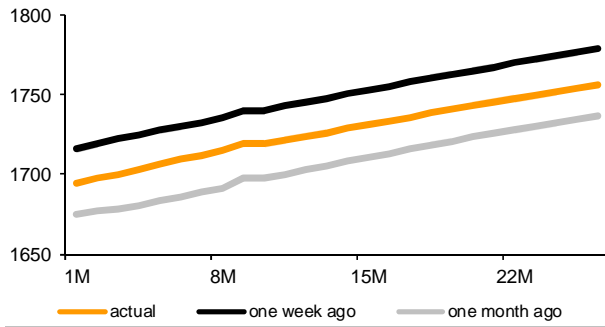
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



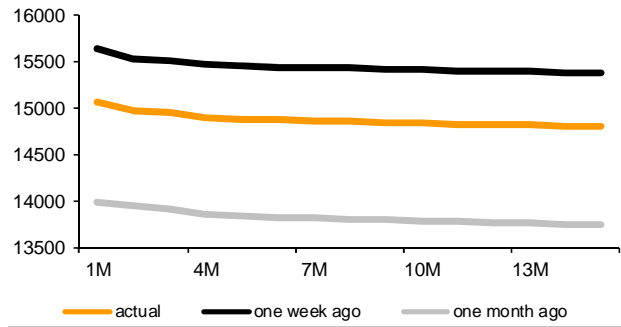
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



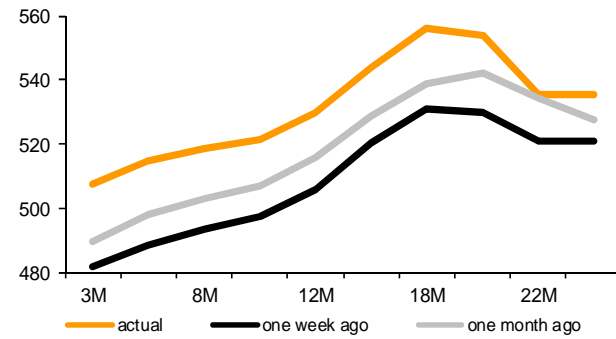
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



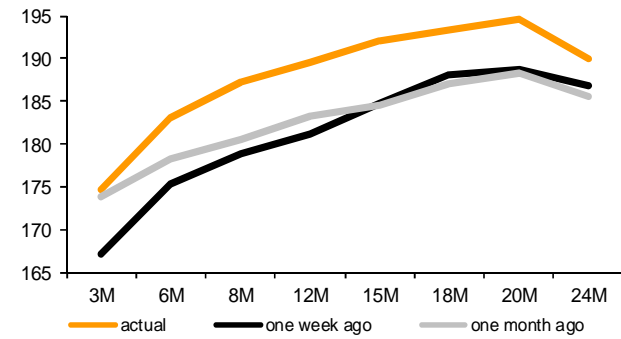
Source: LME; Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



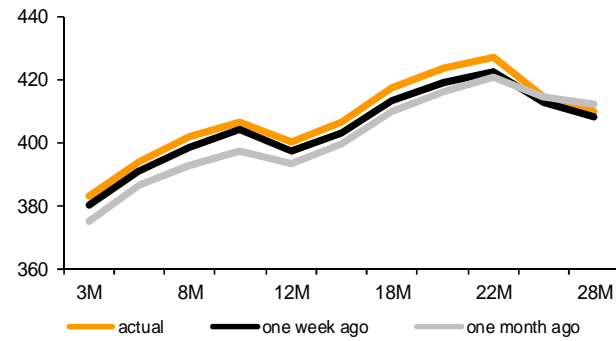
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



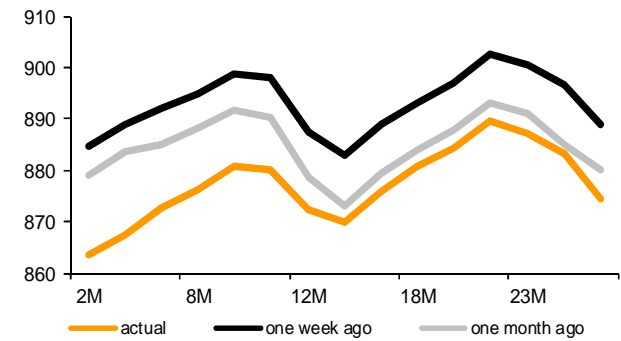
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 21: Forward curve corn (CBOT)



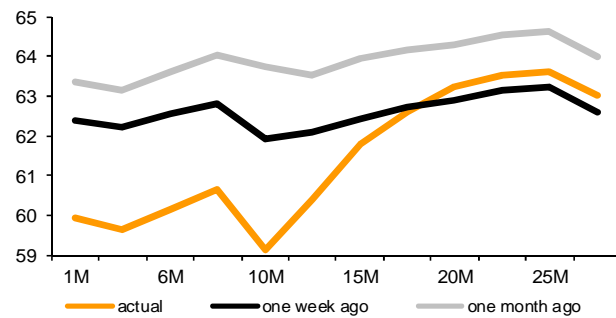
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



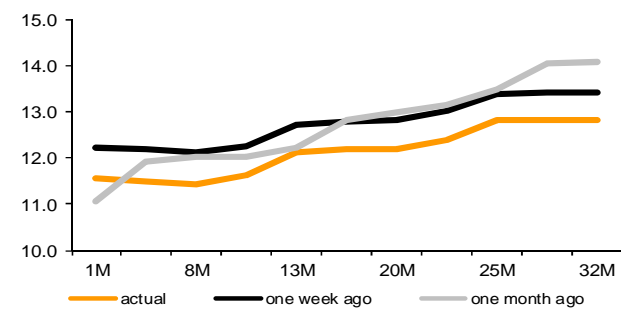
Source: CBOT; Bloomberg, Commerzbank Research

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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