

Commodities Daily

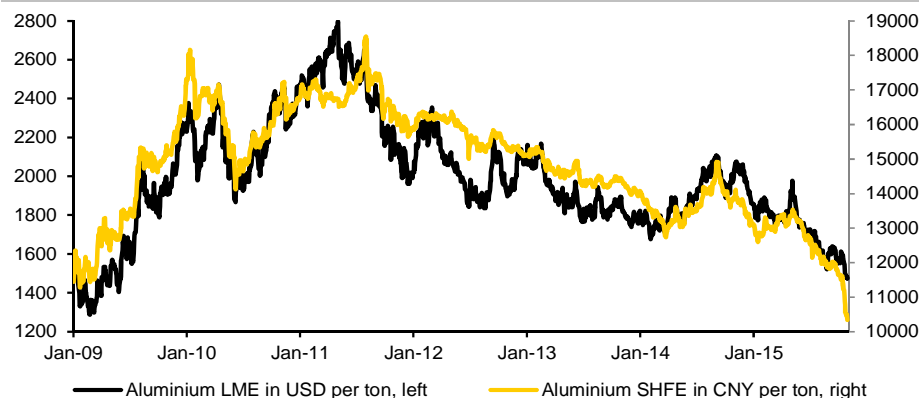
29 October 2015

Hawkish Fed puts pressure on gold and silver

Energy: There is still no plausible and convincing explanation for yesterday's steep oil price increase which saw WTI surge by over 6% or \$3 and Brent by nearly 5% or over \$2 per barrel. The US inventory data cited by the media can be pretty much ruled out as a viable explanation – for one thing they offered virtually no new indications, and for another the lion's share of the increase already happened before they were published. It is possible that the surge was sparked by a large-scale buy order or computer trading and was then exacerbated by technical follow-up buying. What is striking is that not even the immense strength of the US dollar – the EUR-USD exchange rate fell by 1.7% yesterday evening after the Fed's meeting – was able to reverse the price rise. This could suggest that many market participants regard the price rise as fundamentally justified. Thus the question is to some extent whether the previous price slide was not exaggerated and has now merely been corrected. Similarly strong counter-reactions to previous price falls were also observed for example at the end of August and in early October. At least the current news from oil companies points to rising prices in the longer term. "One man's sorrow is another man's joy" would be one way to describe the current situation in the oil sector, for the problems faced by US shale oil producers and the losses incurred by leading conventional oil producers will result in a massive cut in investment. At least this will seriously put the brakes on production growth in the coming years.

Precious metals: The gold price initially climbed to a two-week high of \$1,183 per troy ounce yesterday, though it came under considerable pressure in the evening and fell back to a good \$1,150 overnight. Silver initially achieved a four-month high of \$16.36 per troy ounce yesterday but is currently trading at below \$16 again. The slide in the prices of gold and silver was triggered by an unexpectedly hawkish accompanying statement from the US Federal Reserve and a much firmer US dollar as a result. It appreciated by nearly two US cents against the euro. Yesterday evening, the Fed prepared the markets for a rate hike in December. It appears to be less worried about the global economic turmoil, as the situation on the emerging markets has after all calmed. What is more, it now talks of "whether it will be appropriate to raise the target range (for the federal funds rate) at the next meeting". According to the Fed Fund Futures, the probability of this happening has risen to just shy of 50%. In recent days, we had warned – citing the high net long positions held by speculative financial investors – that the prices of gold and silver would likely come under pressure if the Fed were to signal an imminent rate hike. Some of these net long positions are now likely to have been covered. The gold price in euro terms, on the other hand, is holding its own at €1,060 per troy ounce. Given the prospect of the ECB expanding or extending its QE programme in December, the gold price in euro terms should be able to defy the upcoming interest rate reversal in the US.

CHART OF THE DAY: Aluminium price in free fall



Source: LME, SHFE, Bloomberg, Commerzbank Research

For important disclosure information please see page 6.

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US inventories crude oil/products

23.10.	Weekly chg	Survey	Total
Crude oil	+3.38	+3.60	480.0
- Cushing	-0.79		53.3
Gasoline	-1.14	-1.05	218.6
Distillates	-2.95	-1.77	142.1
Ref.utilis.(%)	+1.20	+0.08	87.6
Oil imports	-0.44		7.0
Oil production	+0.02		9.1
23.10.	5-y average	Survey	Prior
Natural gas	59	71	81

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

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Base metals: The aluminium price on the LME in London fell for a time yesterday to \$1,460 per ton, thus hitting its lowest level since June 2009. Since the middle of the month alone, aluminium has shed over 8%. Its London price is being dragged down by the slump in aluminium prices in China – aluminium on the SHFE in Shanghai cost less than CNY 10,300 per ton (around \$1,620 per ton) for a time yesterday, its lowest level in nearly seven years. The aluminium price in Shanghai has plunged by just short of 12% since the beginning of the month. In the meantime, speculative financial investors have clearly been jumping on the bandwagon too and are increasingly betting on falling prices. This is indicated by the sharp rise in open interest on the SHFE, which has climbed to its highest level since August 2011. Meanwhile, net long positions held by money managers on the LME were reduced last week to their lowest level since the data series began in August 2014, meaning that speculative financial investors are exacerbating the existing downward trend. For producers, the price slide is being dampened somewhat by the rise in physical premiums: according to Metal Bulletin, the premiums payable on the LME price in Europe have soared by 42% to \$92.5 per ton since the start of the month. We believe that extensive production cuts are necessary if prices are to increase in any lasting manner. RusAl's announcement that it plans to reduce production by around 200,000 tons is not enough, however.

Agriculturals: The sugar price climbed for a time yesterday to an eight-month high of 14.8 US cents per pound. This was the market's response to reports that investments are being made in the ethanol industry in Brazil again for the first time in nearly a decade. According to a Reuters report, at least nine major ethanol producers are building new and expanding existing production capacities. Ethanol producers are profiting from the weak Brazilian real and the resulting increased demand from abroad. Domestic demand has also picked up recently after the state oil company Petrobras raised its refinery-gate prices. Ethanol demand was lent additional support by higher taxes on gasoline in Brazil. It remains to be seen how demand develops in the rest of the world, however. Last week's sharp rise in the raw sugar price means that refiners are confronted with lower margins. This week, the price differential between white sugar and raw sugar hovered around the \$70 per ton mark, which is nearly \$10 lower than at the beginning of the month. The fact that the sugar cane crop is currently making good progress in Brazil's Center-South region could likewise weigh on the sugar price in the short term. And the apparently gloomier outlook for Chinese demand should not be ignored either. The Chinese government intends to monitor imports more closely and to this end has introduced a new licensing system.

Prices

Energy 1)	current	1 day	1 week	1 month	2015
Brent Blend	49.1	4.8%	1.3%	1.0%	-15%
WTI	45.9	6.3%	0.4%	0.7%	-15%
Gasoline	457.5	3.5%	3.1%	-4.8%	-4%
Gasoil	451.8	4.8%	0.7%	-3.7%	-13%
Diesel	442.0	5.5%	2.5%	-1.3%	-15%
Jet fuel	473.0	4.9%	1.0%	1.7%	-17%
Natural gas (\$/mmBtu)	2.30	-2.8%	-2.9%	-10.4%	-20%
Base metals 2)					
Aluminum	1483	0.5%	-1.1%	-5.8%	-20%
Copper	5204	-0.3%	-0.6%	4.7%	-17%
Lead	1744	-0.3%	-1.4%	4.8%	-7%
Nickel	10595	0.2%	0.8%	6.5%	-31%
Tin	15200	-1.3%	-3.4%	-1.5%	-21%
Zinc	1737	-0.2%	-0.5%	5.2%	-20%
Precious metals 3)					
Gold	1156.1	-0.9%	-0.4%	3.1%	-2%
Gold (€/oz)	1058.2	0.2%	1.2%	6.0%	8%
Silver	15.9	0.4%	0.7%	9.0%	2%
Platinum	1001.0	1.4%	-1.0%	9.1%	-17%
Palladium	681.4	0.6%	-1.9%	2.4%	-16%
Agriculturals 1)					
Wheat (LIFFE, €/t)	178.0	-0.8%	1.3%	1.3%	-12%
Wheat CBOT	506.0	-0.6%	3.5%	0.7%	-6%
Corn	376.0	-1.1%	-0.9%	-3.3%	0%
Soybeans	882.8	-0.9%	-1.2%	0.1%	-16%
Cotton	62.7	0.5%	-0.1%	2.7%	-4%
Sugar	14.65	1.6%	2.6%	17.6%	-10%
Coffee Arabica	119.1	1.5%	0.5%	0.0%	-37%
Cocoa (LIFFE, £/t)	2200	0.3%	2.6%	-0.5%	11%
Currencies 3)					
EUR/USD	1.0923	-1.2%	-1.5%	-2.7%	-10%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	479963	-	0.7%	5.7%	26%
Gasoline	218647	-	-0.5%	-0.1%	8%
Distillates	142057	-	-2.0%	-6.5%	18%
Ethanol	18273	-	-3.2%	-3.3%	7%
Crude oil Cushing	53334	-	-1.5%	-1.3%	150%
Natural gas	3814	-	2.2%	14.4%	12%
Gasoil (ARA)	3597	-	-3.1%	-2.2%	28%
Gasoline (ARA)	794	-	3.3%	-20.8%	62%
Base metals **					
Aluminum LME	3062750	-0.1%	-1.1%	-4.1%	-31%
Shanghai	290400	-	2.0%	-4.4%	22%
Copper LME	273350	-0.3%	-3.8%	-15.8%	70%
COMEX	52230	1.3%	11.6%	30.1%	65%
Shanghai	181736	-	6.7%	22.9%	91%
Lead LME	147675	-0.2%	-1.1%	-10.3%	-34%
Nickel LME	428220	0.0%	-1.7%	-5.3%	13%
Tin LME	5010	11.1%	12.5%	2.2%	-45%
Zinc LME	574850	-0.3%	-1.2%	-3.2%	-19%
Shanghai	163667	-	-1.4%	-2.1%	14%
Precious metals ***					
Gold	49580	-0.1%	-0.2%	1.0%	-7%
Silver	610177	0.0%	0.1%	-0.3%	-4%
Platinum	2634	-0.5%	-1.0%	-5.7%	-5%
Palladium	2702	-1.8%	-3.8%	-6.2%	-9%

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

Percentage change on previous period

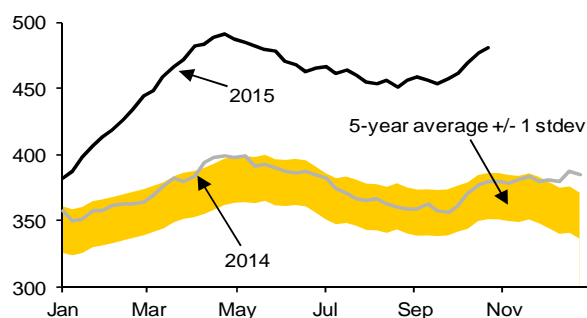
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

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

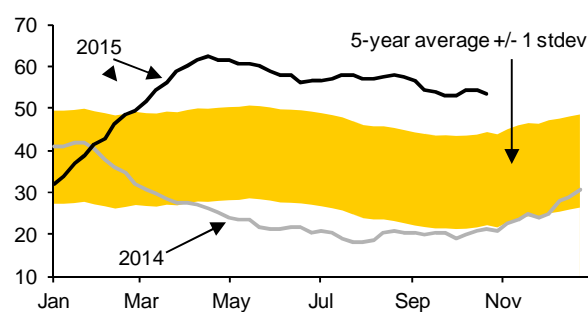
* US inventories of crude oil, oil products and ethanol in '000 barrel,

US natural gas inventories in billion cubic feet, ARA stocks in '000 tons

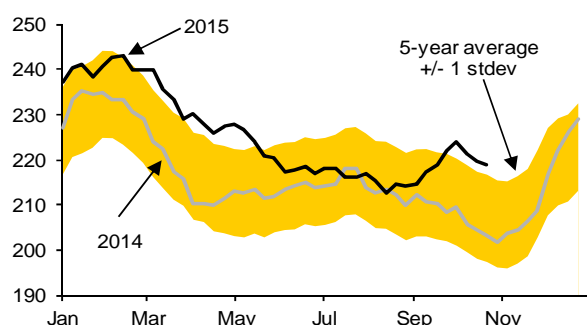
** tons, *** ETF holdings in '000 ounces

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

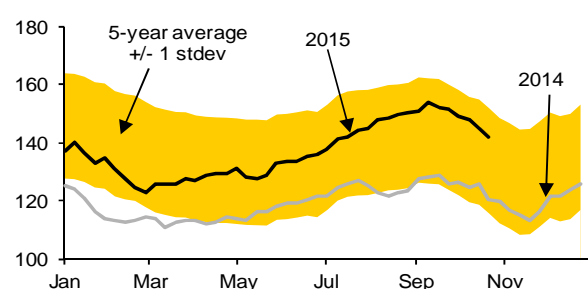
Source: DOE; Bloomberg, Commerzbank Research

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

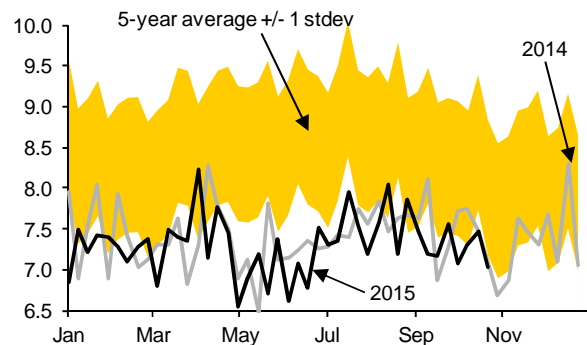
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 3: Gasoline inventories (in mbbbl)

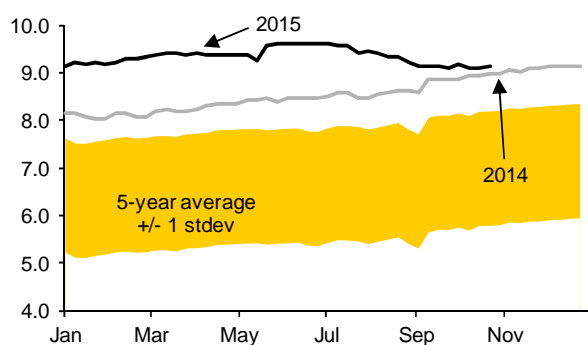
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 4: Distillates inventories (in mbbbl)

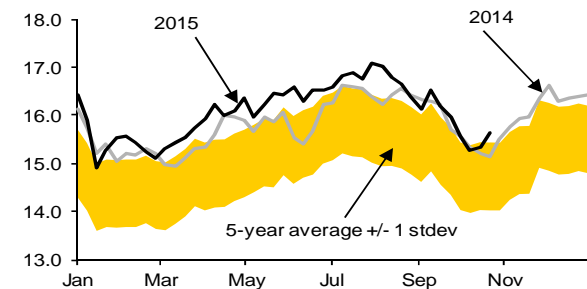
Source: DOE; Bloomberg, Commerzbank Research

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

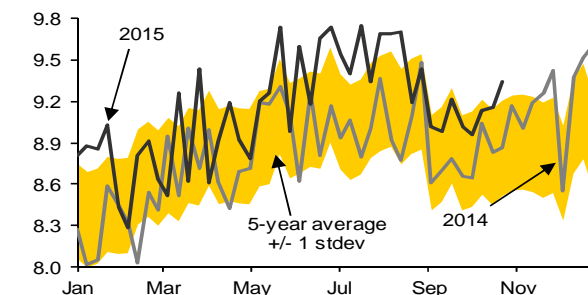
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 6: Oil production (in mbbbl/day)

Source: DOE; Bloomberg, Commerzbank Research

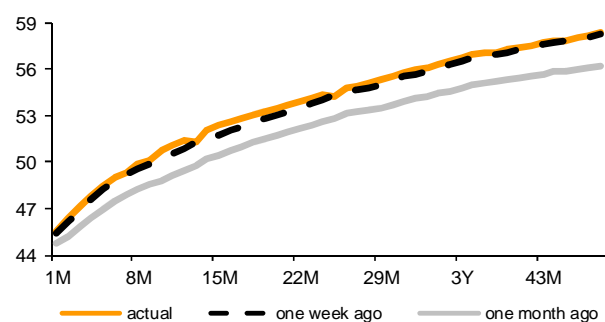
GRAPH 7: Refinery runs (in mbbbl/day)

Source: DOE; Bloomberg, Commerzbank Research

GRAPH 8: Gasoline demand (in mbbbl/day)

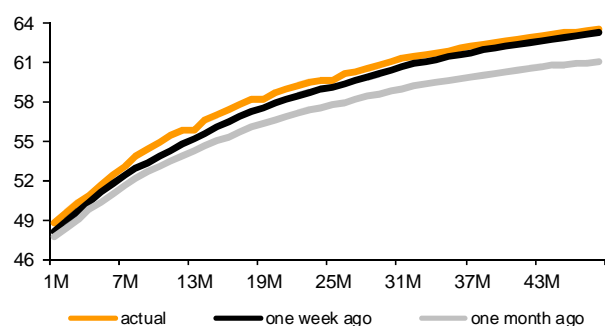
Source: DOE; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



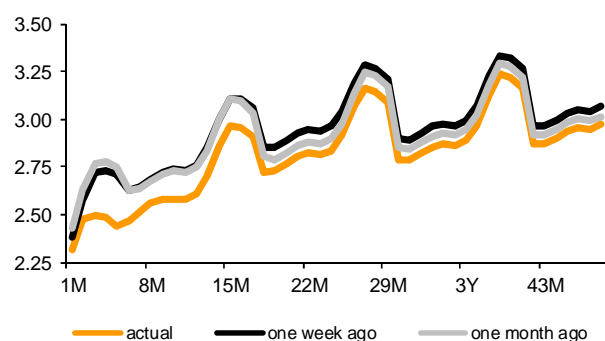
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



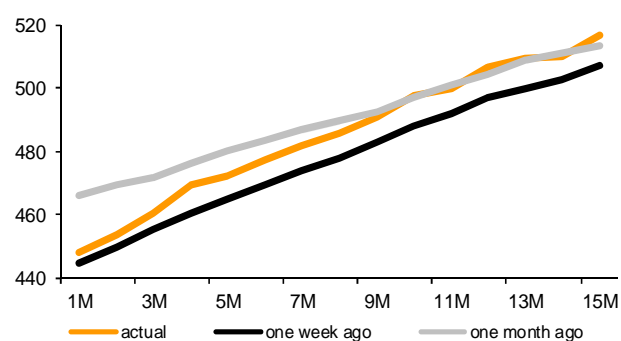
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



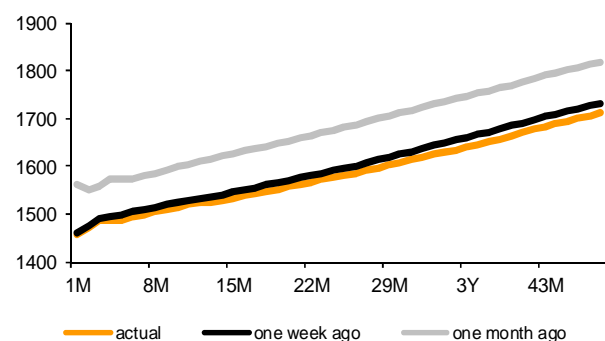
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



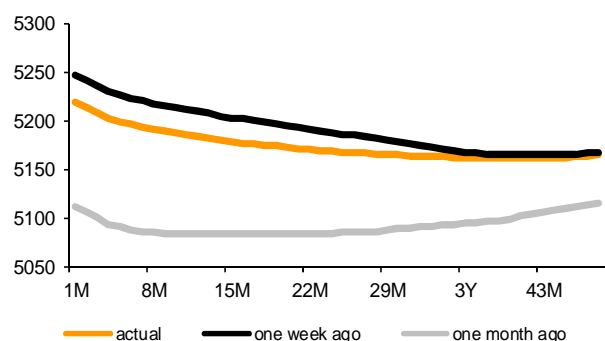
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



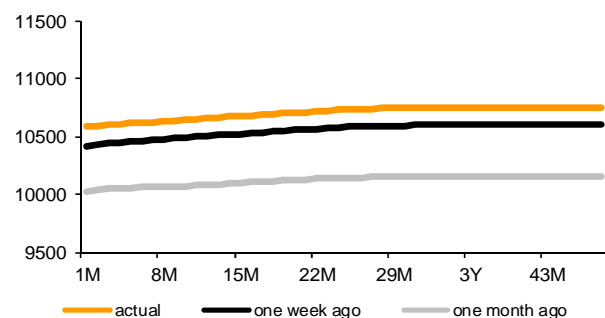
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



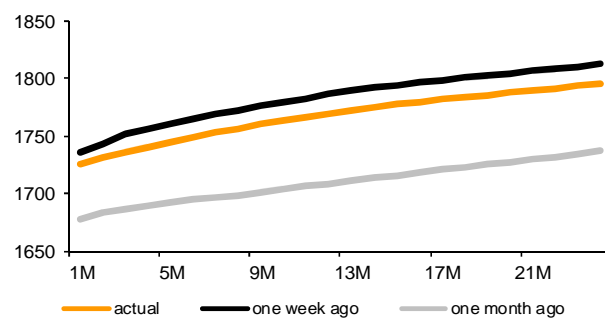
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve nickel (LME)



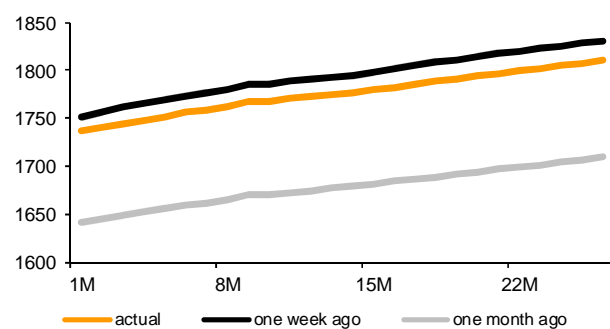
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



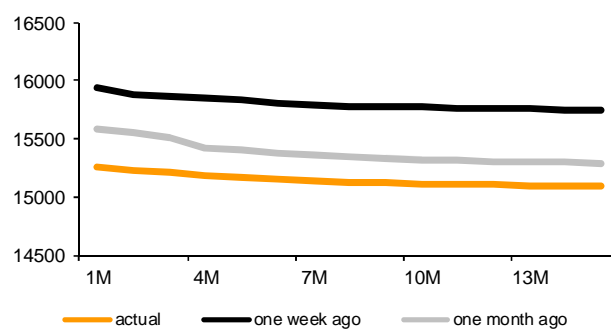
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



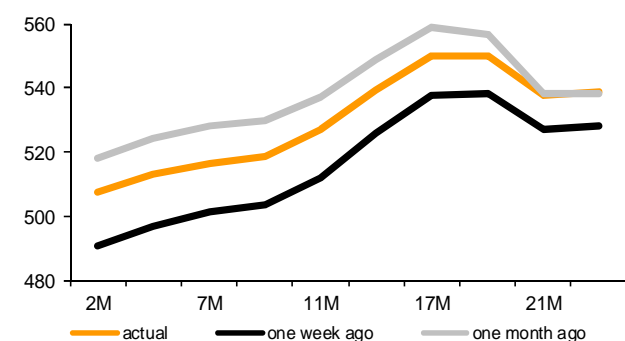
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



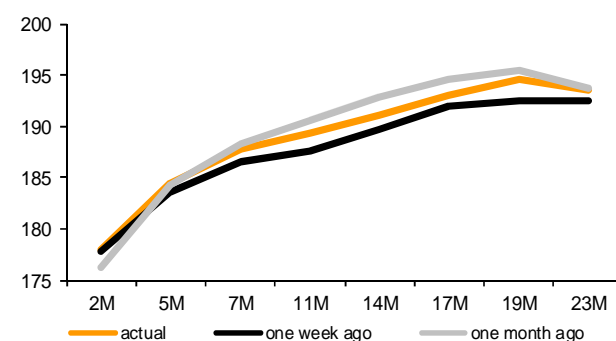
Source: LME; Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



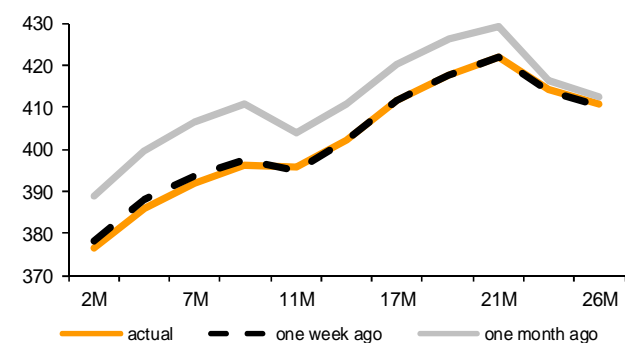
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



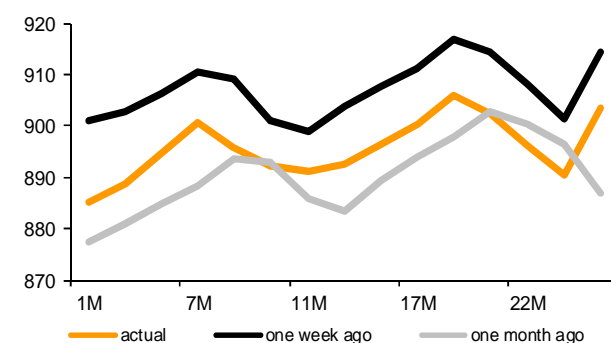
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 21: Forward curve corn (CBOT)



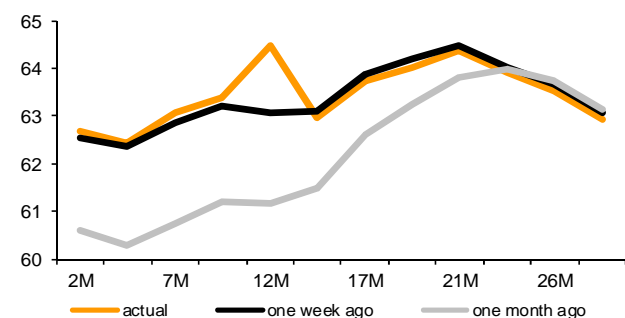
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



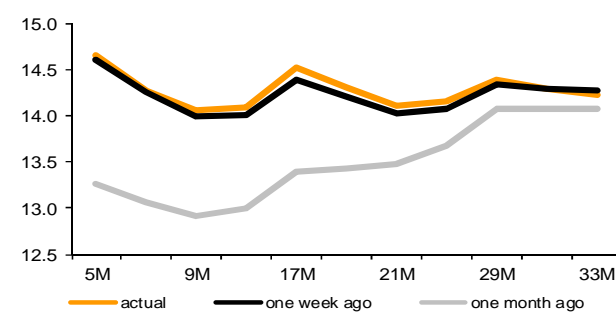
Source: CBOT; Bloomberg, Commerzbank Research

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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