

Commodities Daily

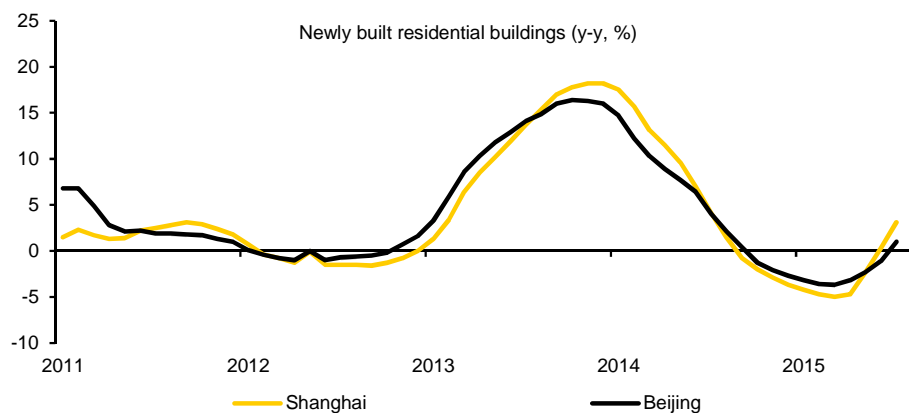
19 August 2015

Copper trading at below \$5,000 for first time in six years

Energy: Oil prices performed differently yesterday: whereas Brent stagnated at \$48.5 per barrel, WTI gained by nearly 2% to reach \$42.5 per barrel. We attribute this primarily to short covering ahead of tomorrow's WTI contract rollover. That said, yesterday's price increase in WTI is nothing more than the proverbial drop in the ocean in view of its 30% decline since the beginning of July. There is still a lack of fundamental support to allow any more lasting price recovery, and even the surprisingly sharp decrease in US crude oil stocks by 2.3 million barrels reported for last week by the API after close of trading yesterday can do nothing to change this. The US Department of Energy will be publishing the official inventory data this afternoon. Attention is likely to be focused in this context on crude oil processing which has been at a record level in recent weeks and as such was largely responsible for the decrease in crude oil stocks. All things being equal, the outage of a crude distillation unit in the US Midwest should reduce refinery demand by 240,000 barrels per day, which would drive demand for the week as a whole down by 1.7 million barrels – the inventory reduction should be smaller by this amount. Assuming that other parameters such as imports and production remain unchanged, crude oil stocks will not have fallen further last week. This could meet with disappointment on the market, especially since the high-demand summer driving season is drawing to a close, meaning that rising crude oil stocks can be expected in just a few weeks' time.

Precious metals: The gold price has risen well above \$1,120 per troy ounce this morning and is therefore nearing the 3½-week high it achieved last week. Gold had come under pressure for a time yesterday, dipping briefly to \$1,110. The rapid price recovery shows that lower prices generate buying interest and cause the selling pressure among speculators to abate. Gold currently appears to be in a bottoming out phase which could well continue for some weeks yet before any more sustained price recovery can be expected. The uncertainty as to when the first Fed interest rate hike might happen is currently arguing against significantly higher prices. At the moment, the Fed Fund Futures regard the probability of a rate hike in September as being less than 50%. The minutes of the latest Fed meeting, due to be published this evening, may change this assessment. If the market prices in a higher probability as a result, the gold price could come under renewed pressure, though the kind of sharp price fall seen in July is no longer likely given the now better market sentiment and buying which would then be expected. In contrast to gold, silver dropped by 3% yesterday, doubtless being dragged down by the base metals. At its lowest point, silver was trading at \$14.8 per troy ounce. As a result, the gold/silver ratio climbed to a four-week high of more than 75. Palladium also fell sharply and is thus trading at below \$600 per troy ounce again.

CHART OF THE DAY: Signs of stabilization on Chinese real estate market



Source: NBS, Bloomberg, Commerzbank Research

US inventories crude oil / oil products

	API		DOE
	14.8.	Survey	7.8.
Crude oil	-2.3	-0.4	-1.7
Cushing	+0.4	+0.5	-0.1
Gasoline		-1.0	-1.3
Distillates		+1.5	+3.0
Utiliz. (%)		-0.4	+0.0
Imports			+0.4

Weekly change in mm barrels, imports in mbpd,

Source: Reuters, DOE, Bloomberg

Speculative market positioning (net)

14 Aug	'000 contracts	Weekly change
Aluminium	124.309	6.978
Copper	8.416	0.685
Nickel	4.861	-0.679
Zinc	41.703	-0.347
Lead	19.413	1.281
Tin	2.449	0.383

Source: LME, Bloomberg

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Base metals: One of the most important sectors of the Chinese economy, the construction sector, is showing signs of stabilization, albeit at a low level. For the first time since April 2014, more month-on-month price increases than price falls were reported in the country's 70 largest cities: 31 cities reported price increases for newly built residential buildings, while 29 cities reported price falls. Prices actually climbed year-on-year in Shanghai, Beijing and Shenzhen, the three most important cities (Chart of the Day). A revival of the construction sector in China is likely to benefit demand for commodities. In our opinion, concerns about the Chinese economy are exaggerated at present. True, many structural problems remain unsolved – nonetheless, the numerous measures implemented by the government and central bank are likely to shore up the economy in the near to medium term. The many infrastructural projects that have been increased, expanded and accelerated in recent months will also lend support to demand for copper and other base metals. What is more, the latest price falls – such as copper's plunge yesterday to a six-year low of below \$5,000 per ton – do not appear to make sense given the risks to supply. The lower availability of metal scrap is also being ignored. This is related on the one hand to lower economic dynamism in China itself, while on the other hand the low prices mean that scrap suppliers are less willing to sell. This is partly why we expect prices to stabilize in the near future.

Agriculturals: Worldwide, the US Department of Agriculture (USDA) is predicting a record-high wheat crop in 2015/16, though this is unlikely to apply to the EU. Although France is likewise reporting a new record crop of up to 40.4 million tons (8% up year-on-year) coupled with high quality levels, the situation is quite different in other EU countries such as Great Britain, Poland and not least in Germany. The German Farmers' Association has provisionally reported a crop of 24.6 million tons of wheat, following a figure of 27.4 million tons last year, because the crop proved significantly below average apart from in the far south and far north of Germany. For the EU as a whole, the European Commission estimates that the soft wheat crop is down by 6.3%. Due to the ample global supply and the competition from the Black Sea region, however, the European wheat price is hardly likely to profit from this, though it could well benefit from the corn market, as corn has suffered considerably from the hot and dry conditions. Last week, the German Farmers' Cooperative (DRV) predicted a 24% year-on-year slump in the German corn crop, while the USDA and the European Commission forecast a more than 15% slump for the EU. Because of the refusal to accept genetically-modified crops, only a few countries – first and foremost Ukraine – are available for higher EU imports. Even there the crop is expected to remain below the level of the two previous years, however. Accordingly, the EU could resort increasingly to using wheat for animal feed.

Prices

Energy 1)	current	1 day	1 week	1 month	2015
Brent Blend	48.8	0.1%	-2.2%	-15.0%	-15%
WTI	42.6	1.8%	-2.1%	-16.7%	-20%
Gasoline	566.5	-2.4%	-3.7%	-13.8%	19%
Gasoil	471.0	-0.9%	0.4%	-7.9%	-8%
Diesel	466.5	-1.1%	-0.5%	-8.5%	-11%
Jet fuel	484.8	-1.0%	0.6%	-8.2%	-15%
Natural gas (\$/mmBtu)	2.70	-0.1%	-7.8%	-5.9%	-7%
Base metals 2)					
Aluminum	1554	-0.9%	-2.3%	-8.5%	-16%
Copper	5035	-1.6%	-3.4%	-8.5%	-20%
Lead	1691	-2.2%	-3.4%	-8.8%	-10%
Nickel	10360	-2.5%	-1.9%	-9.6%	-31%
Tin	15145	-2.1%	0.2%	-4.0%	-22%
Zinc	1763	-2.9%	-3.5%	-14.6%	-19%
Precious metals 3)					
Gold	1117.8	0.0%	-0.6%	-1.4%	-6%
Gold (€/oz)	1013.8	0.5%	0.4%	-0.1%	3%
Silver	14.9	-3.0%	-4.3%	0.0%	-5%
Platinum	995.4	-0.4%	-1.2%	-0.5%	-18%
Palladium	598.1	-2.7%	-5.7%	-3.8%	-26%
Agriculturals 1)					
Wheat (LIFFE, €/t)	178.8	-0.6%	-3.5%	-8.6%	-11%
Wheat CBOT	494.3	-1.2%	-1.4%	-10.5%	-9%
Corn	366.3	0.8%	0.8%	-12.8%	1%
Soybeans	904.3	-1.4%	-3.0%	-10.7%	-15%
Cotton	66.6	0.3%	1.4%	2.3%	4%
Sugar	10.73	0.9%	2.3%	-10.3%	-31%
Coffee Arabica	135.3	0.4%	-1.3%	6.5%	-26%
Cocoa (LIFFE, £/t)	2032	0.7%	-0.8%	-8.3%	3%
Currencies 3)					
EUR/USD	1.1024	-0.5%	-1.0%	2.1%	-9%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	453593	-	-0.4%	-2.6%	24%
Gasoline	215482	-	-0.6%	-1.1%	1%
Distillates	147806	-	2.1%	7.5%	21%
Ethanol	18529	-	-3.7%	-6.6%	4%
Crude oil Cushing	57113	-	-0.1%	0.8%	210%
Natural gas	2977	-	2.2%	11.6%	21%
Gasoil (ARA)	3460	-	2.7%	8.4%	33%
Gasoline (ARA)	1052	-	6.6%	11.7%	38%
Base metals **					
Aluminum LME	3335575	-0.3%	-1.3%	-5.5%	-32%
Shanghai	320076	-	-0.3%	4.1%	-11%
Copper LME	353600	0.8%	-0.4%	3.9%	150%
COMEX	34026	0.7%	-2.2%	-8.6%	33%
Shanghai	121258	-	6.4%	15.2%	25%
Lead LME	201425	-1.1%	-1.9%	-7.6%	-7%
Nickel LME	454974	0.0%	-0.4%	0.3%	40%
Tin LME	6285	-0.9%	-5.2%	-14.2%	-51%
Zinc LME	502900	8.6%	10.3%	10.7%	-32%
Shanghai	163064	-	-4.7%	-6.5%	-15%
Precious metals ***					
Gold	48589	-0.1%	0.1%	-3.9%	-13%
Silver	620955	0.0%	-0.3%	-0.9%	-2%
Platinum	2850	0.0%	1.7%	5.4%	-1%
Palladium	3003	0.0%	-0.7%	1.4%	-2%

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

Percentage change on previous period

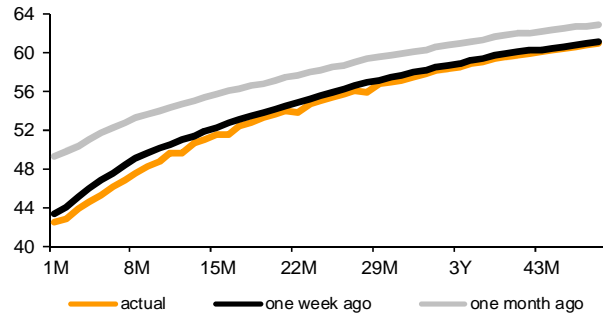
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

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

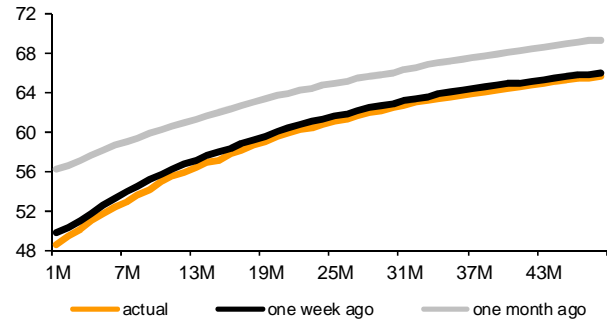
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



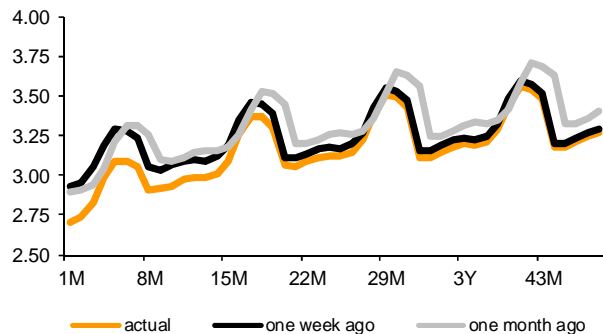
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



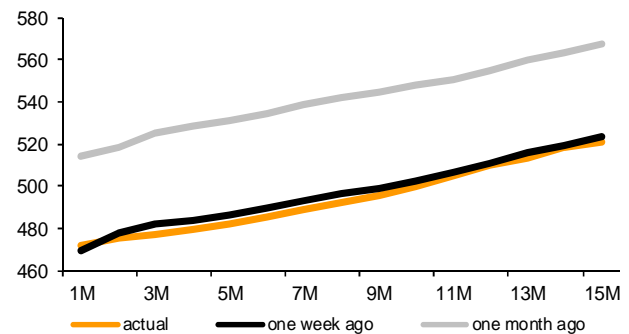
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



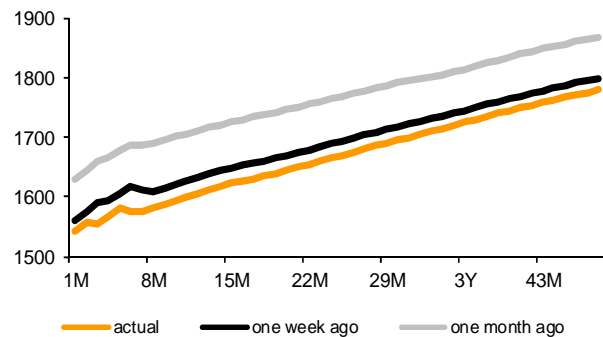
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



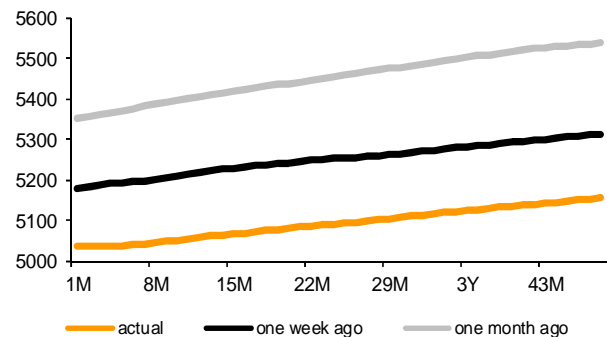
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



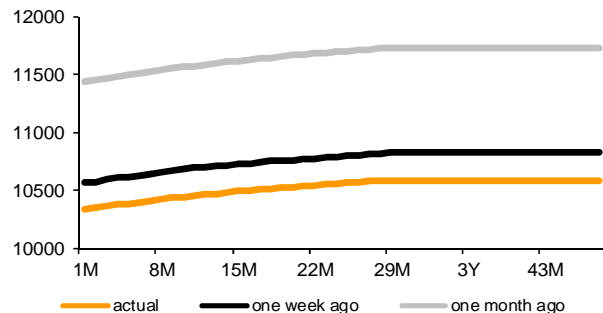
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



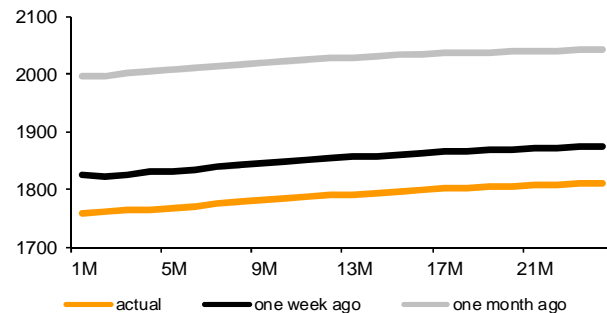
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



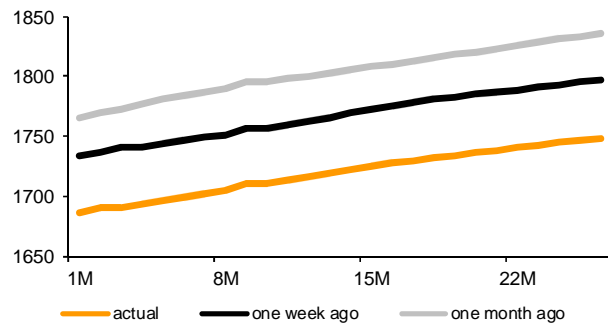
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



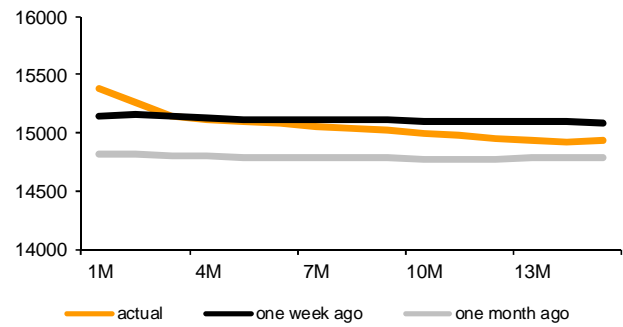
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



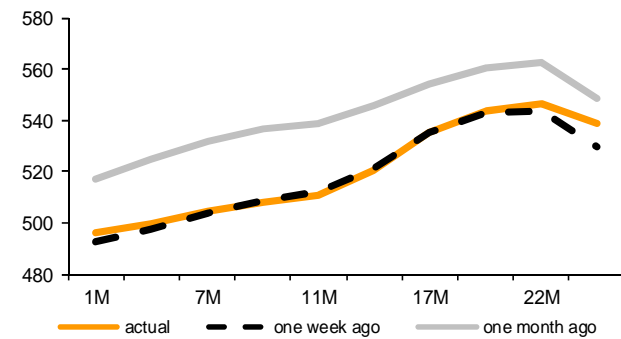
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



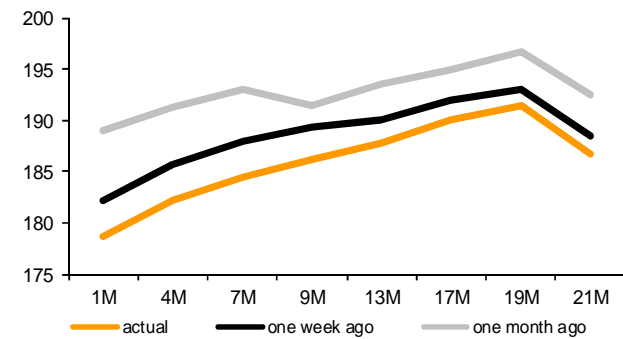
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



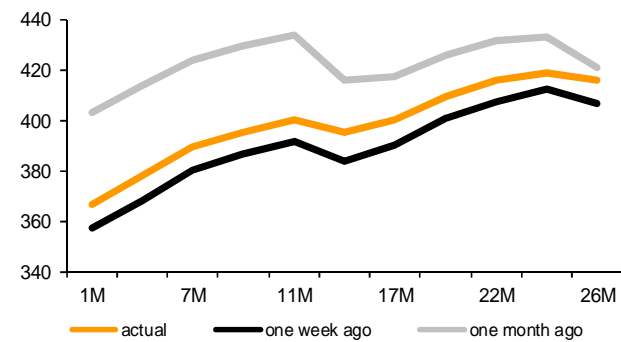
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



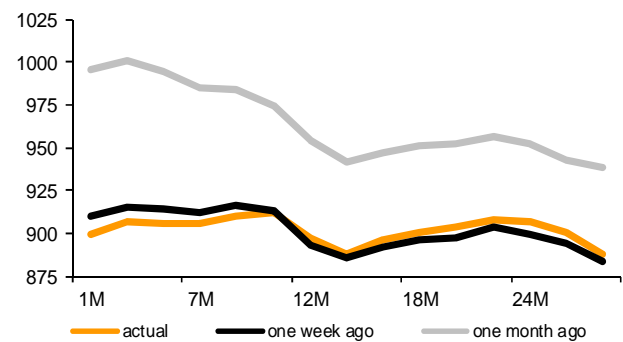
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



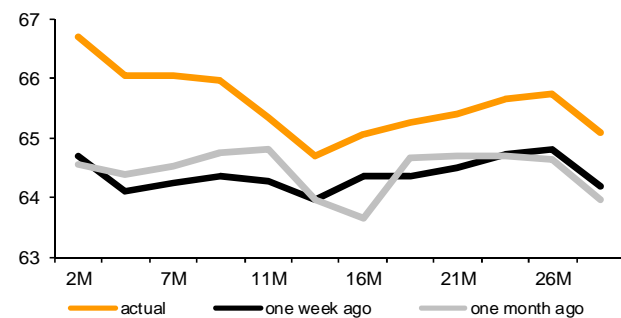
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



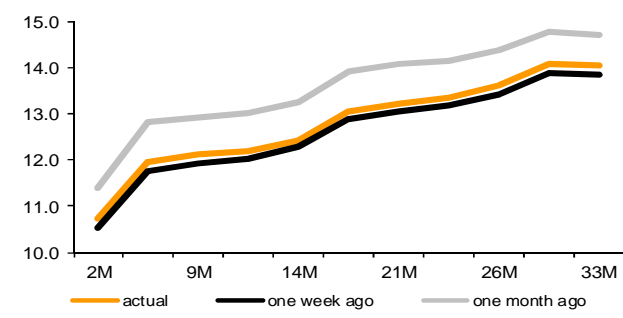
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

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