

Commodities Daily

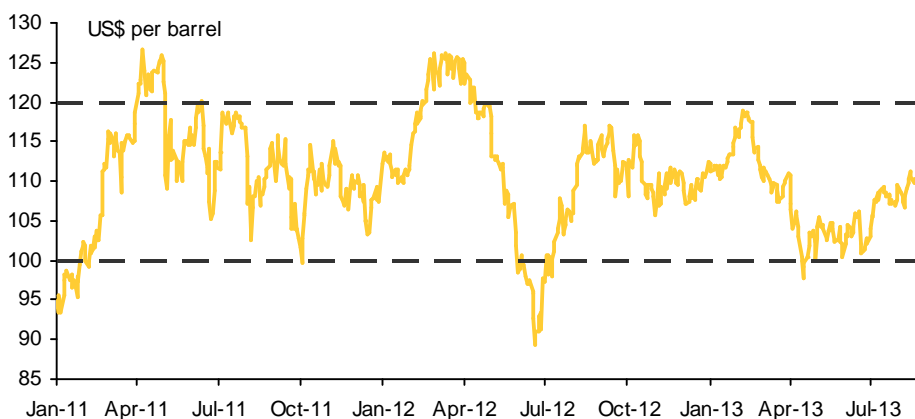
27 August 2013

Geopolitical risks back in focus

Energy: Although a military strike against Syria is becoming increasingly likely, Brent did not climb any further yesterday but is continuing to trade at \$111 per barrel. According to one newspaper report, US President Obama is considering a two-day intervention because the US is convinced that Syria deployed chemical weapons. Clearly, the oil price is in a kind of “comfort zone” at between \$100 and \$120 per barrel. Ever since the Arab Spring began in early 2011, Brent has been trading for 85% of the time within this range, which is fairly narrow historically speaking (Chart of the Day). In the event of a military strike the risk of the situation escalating in the Middle East would increase, however, which should see oil prices climb to the top of this trading corridor. Meanwhile, the figures indicating the positioning of speculative market players on the ICE show that investors are more nervous about the European market than about the US market in view of the growing supply risks. After all, while net long positions in WTI held by money managers fell slightly in the week to 20 August, they were increased on the ICE: as per last Tuesday, they were an additional 13 thousand contracts higher than in the week before, and thus at their highest level since the data series began in 2011. The news agency estimates of OPEC oil production in the second half of the week will show the extent to which the supply situation has already tightened in August. The figures for Libya, where the country’s most important oil terminal still remains closed, will be of greatest interest, along with those for Iraq.

Precious metals: Although the gold price has as yet failed to rise lastingly above the \$1,400 per troy ounce mark again, it is nonetheless holding its own at a 2½-month high immediately below this threshold. At around €1,050 per troy ounce, the yellow precious metal is also riding at its highest level since early June in euro terms. The fact that investment demand has picked up again somewhat of late, coupled with the escalating Syrian conflict, could see the upswing continue. According to figures from the International Monetary Fund, central banks of emerging economies also purchased only small quantities of gold in July, acquiring “only” a good 30 tons on a net basis. The lion’s share of this total (22.5 tons) was bought by Turkey, though this was attributable to special effects. Other countries that further topped up their gold reserves include Russia (6.3 tons) and Kazakhstan (1.1 tons). According to data from the World Gold Council, this puts Russian gold holdings at above the 1,000 ton mark for the first time. In the middle of the month, however, the WGC had downwardly revised its estimate for total net gold purchases by central banks this year to a maximum of 350 tons, central banks having exercised noticeable restraint in the first half year – as compared with last year – and purchasing just 180.8 tons in total. By contrast, the first half of 2012 saw gold purchases total 254.2 tons.

CHART OF THE DAY: Brent has been in the “comfort zone” for some time



Source: Bloomberg, Commerzbank Corporates & Markets

Speculative market positioning (net); '000 contracts

	20-Aug	Weekly change
WTI (NYMEX)	269.322	-5.737
Brent (ICE)	203.795	13.082
Gasoline (NYMEX)	59.780	1.476
Gasoil (ICE)	65.584	7.931

Open interest (futures); '000 contracts

	20-Aug	Weekly change
WTI (NYMEX)	1835.367	-99.050
Brent (ICE)	1518.337	-45.329
Gasoline (NYMEX)	275.017	7.139
Gasoil (ICE)	662.909	35.765

Source: ICE, CFTC, Bloomberg

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Base metals: Prices on the LME are getting off to a fairly weak start to the new week of trading following yesterday's bank holiday. July's figures for durable goods orders in the US fell considerably short of expectations, which weighed on sentiment. The threat of a US military strike against Syria is also casting a shadow. Nonetheless, the fundamentals currently suggest that copper will continue its recovery, for China appears to have turned its economy around this summer, which should be confirmed by the Purchasing Managers' Index (PMI) when it is published on Sunday. While LME copper stocks have dropped to a five-month low, copper stocks on the SHFE have already plunged close to an eleven-month low, which points to robust demand. The aluminium price this morning is trading at just shy of \$1,890 per ton, which is around \$60 or 3% down on the two-month high it achieved at the beginning of last week. While we expect LME prices to stabilize, the physical premiums on aluminium are likely to fall. Lower premiums of \$240-250 per ton have been paid on the LME price in Europe of late. According to research institute Harbor Intelligence, the premium in the US declined to 11 US cents per pound. In Japan, Asia's largest aluminium importer, consumers are also anticipating lower fourth-quarter premiums. That said, no consensus is yet in sight here, for producers are keen to leave the premiums unchanged at \$250 per ton.

Agriculturals: Fears that the overly warm and dry weather in the US Midwest could significantly reduce yields have been exacerbated by the latest assessment of plants by the US Department of Agriculture. The figures show that corn and soybean plants continue to lag well behind the long-term average in terms of their development. What is more, the proportions of plants rated good or excellent have been reduced by 2 percentage points to 59% in the case of corn and by 4 percentage points to just 58% in the case of soybeans. At their current development stage, soybeans are particularly prone to damage due to insufficient moisture. The fact that the European Commission's MARS forecasting unit lowered its estimate for EU corn yields by 3.5% to just below the long-term average yesterday is yet one more piece of a puzzle that makes the beginning harvest appear less rosy than it did just a few weeks ago. Accordingly, corn and oilseed prices are continuing to rise. All the same, we are still likely to see a huge increase in production on both sides of the Atlantic – in the US, corn crop is even expected to achieve a record level. Unlike in the previous days, the wheat price was also able to profit yesterday from the climbing prices of corn and soybeans, especially since demand for wheat is already high – not least from China. In Chicago, wheat now costs 670 US cents per bushel again, a good 3.5% up on Friday, while its price in Paris has also risen by roughly the same degree to hit almost €192 per ton.

Prices

Energy 1)	current	1 day	1 week	1 month	ytd
Brent Blend	110.7	-0.3%	0.7%	3.5%	0%
WTI	105.9	-0.5%	1.1%	1.4%	16%
Gasoline	1044.0	1.5%	0.9%	2.6%	9%
Gasoil	941.8	-0.1%	0.2%	3.2%	2%
Diesel	963.8	0.5%	0.0%	3.0%	2%
Jet fuel	1003.5	0.4%	-0.3%	2.2%	0%
Natural gas (\$/mmBtu)	3.51	0.8%	1.6%	-1.6%	4%
Base metals 2)					
Aluminum	1893	0.5%	-1.0%	5.7%	-9%
Copper	7360	0.5%	0.5%	7.0%	-7%
Lead	2212	0.1%	-1.3%	8.3%	-5%
Nickel	14525	0.7%	-2.3%	4.5%	-15%
Tin	21750	-0.7%	-1.0%	11.1%	-8%
Zinc	1986.5	0.6%	-0.2%	7.0%	-5%
Precious metals 3)					
Gold	1404.7	0.5%	2.3%	5.2%	-16%
Gold (€/oz)	1050.8	0.6%	2.6%	0.5%	-17%
Silver	24.3	1.0%	5.2%	21.0%	-20%
Platinum	1549.0	0.6%	1.8%	8.1%	0%
Palladium	749.0	-0.3%	0.0%	3.1%	6%
Agriculturals 1)					
Wheat (LIFFE, €/t)	191.8	3.4%	3.9%	2.1%	-23%
Wheat CBOT	666.8	3.2%	3.6%	2.9%	-14%
Corn	512.5	6.3%	4.9%	4.9%	-27%
Soybeans	1389.5	4.6%	7.7%	13.2%	-1%
Cotton	84.9	1.0%	-4.7%	-0.5%	13%
Sugar	16.61	-0.2%	0.6%	0.6%	-15%
Coffee Arabica	117.8	0.6%	-4.1%	-3.7%	-18%
Cocoa (LIFFE, £/t)	1636	0.0%	-1.3%	4.4%	14%
Currencies 3)					
EUR/USD	1.3368	-0.1%	-0.3%	0.9%	1%

Inventories

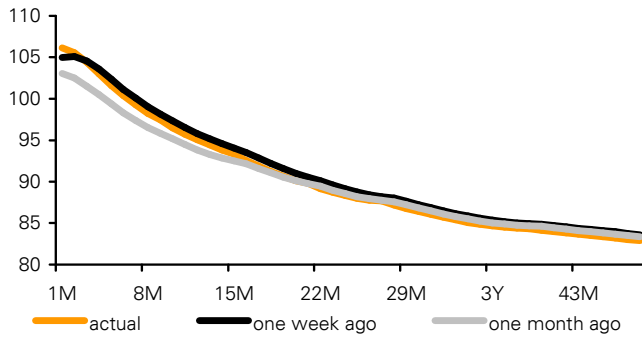
Energy *	current	1 day	1 week	1 month	1 year
Crude oil	359062	-	-0.4%	-2.2%	0%
Gasoline	218401	-	-1.8%	-2.5%	8%
Distillates	129353	-	0.7%	1.3%	3%
Ethanol	16482	-	0.4%	-0.6%	-11%
Crude oil Cushing	37425	-	-2.8%	-18.8%	-17%
Natural gas	3063	-	1.9%	11.6%	-7%
Gasoil (ARA)	2186	-	7.1%	15.9%	-9%
Gasoline (ARA)	613	-	1.8%	-13.1%	-4%
Base metals **					
Aluminum LME	5428175	-0.1%	-0.3%	-1.0%	11%
Shanghai	317815	-	-4.9%	-15.9%	-13%
Copper LME	564225	-0.2%	-2.3%	-9.2%	140%
COMEX	38355	-2.5%	-22.3%	-41.4%	-24%
Shanghai	156110	-	-3.6%	-6.8%	-2%
Lead LME	187850	0.7%	-0.6%	-5.2%	-40%
Nickel LME	210060	0.1%	2.1%	5.3%	83%
Tin LME	15305	9.6%	8.9%	5.2%	32%
Zinc LME	1023575	-0.2%	-1.1%	-2.6%	6%
Shanghai	261559	-	1.3%	-4.0%	-12%
Precious metals ***					
Gold	62755	0.0%	0.2%	-0.9%	-20%
Silver	644174	0.0%	0.3%	4.2%	10%
Platinum	2205	1.6%	0.6%	1.1%	57%
Palladium	2245	1.5%	1.4%	-1.3%	17%

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

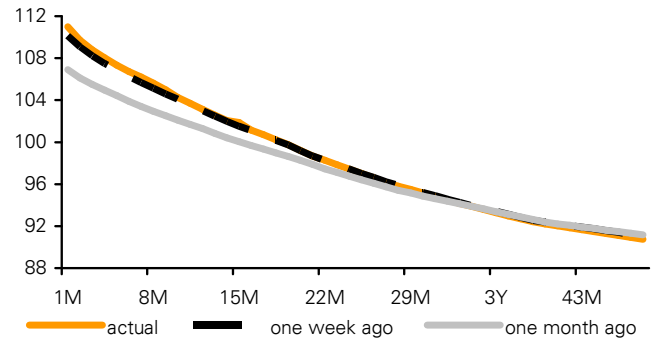
Forward curves of selected commodities

GRAPH 1: Forward curve oil market (WTI)



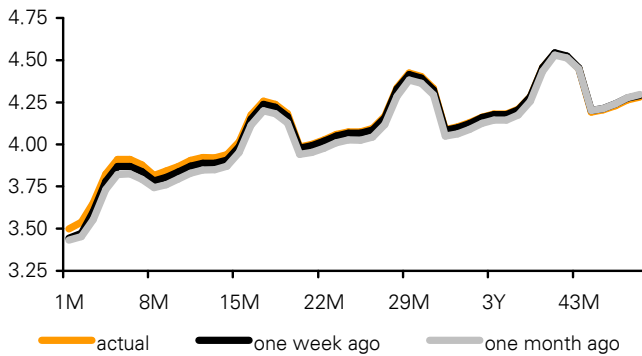
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 2: Forward curve oil market (Brent)



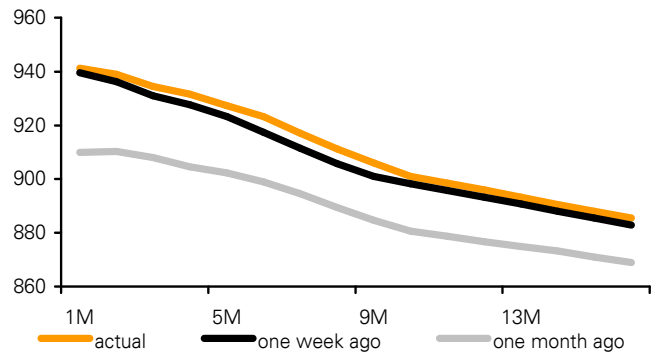
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 3: Forward curve gas market (Henry Hub)



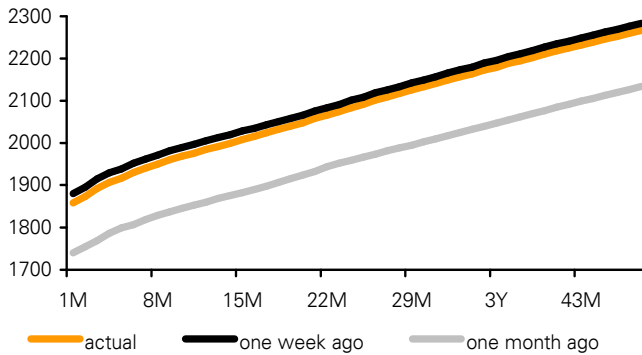
Source: NYMEX; Bloomberg, Commerzbank Corporates & Markets

GRAPH 4: Forward curve gasoil (ICE)



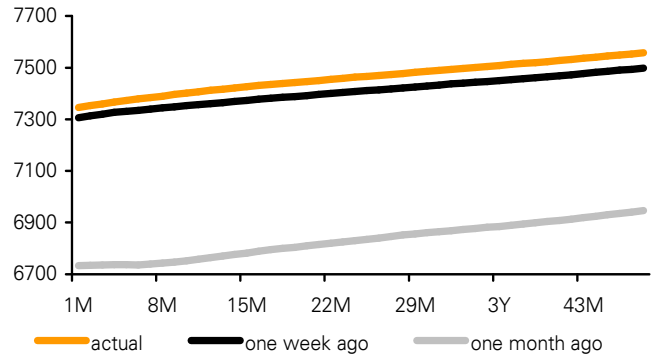
Source: ICE; Bloomberg, Commerzbank Corporates & Markets

GRAPH 5: Forward curve aluminium (LME)



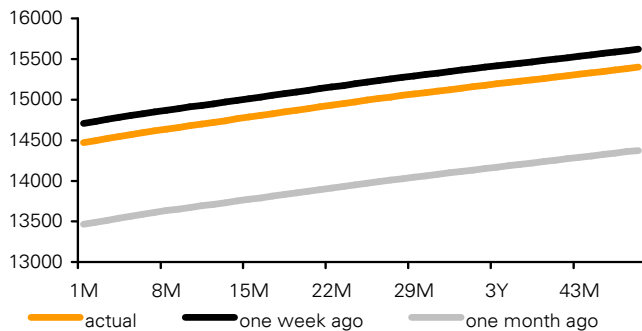
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 6: Forward curve copper (LME)



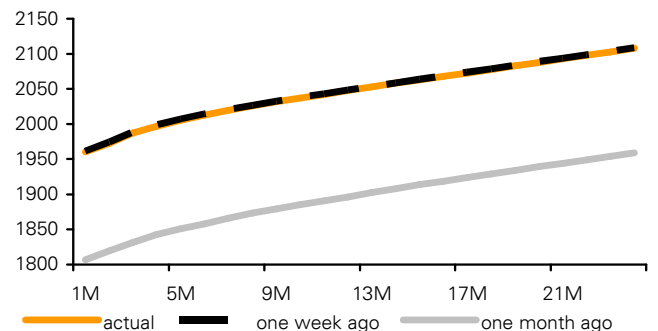
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 7: Forward curve Nickel (LME)



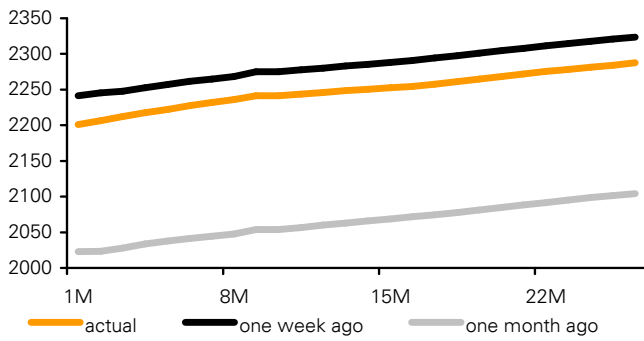
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 8: Forward curve zinc (LME)



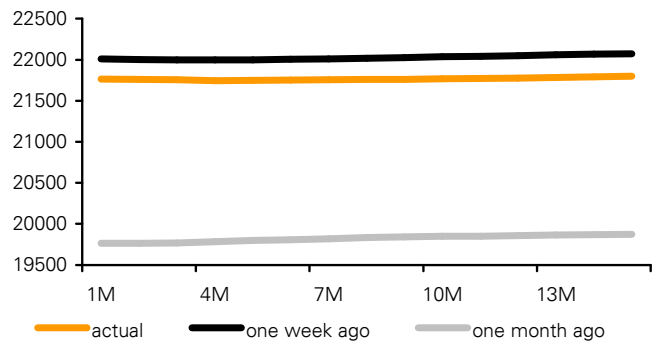
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 9: Forward curve lead (LME)



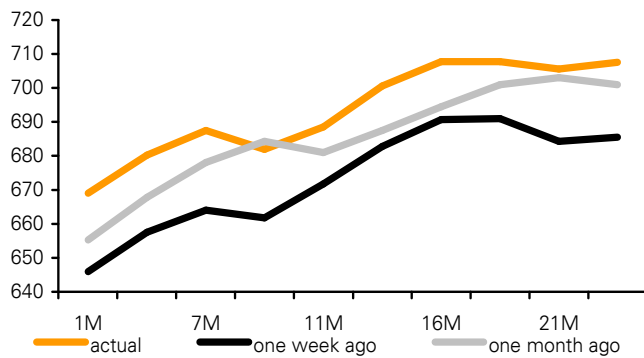
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 10: Forward curve tin (LME)



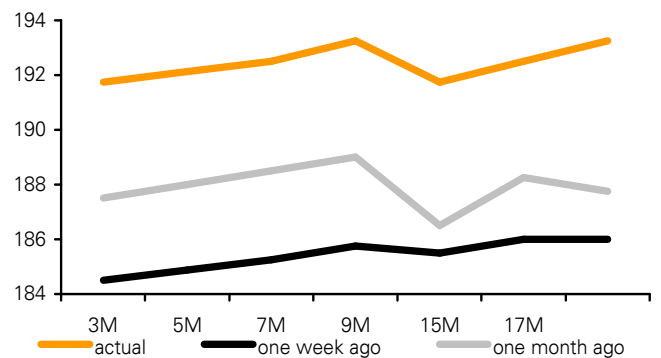
Source: LME; Bloomberg, Commerzbank Corporates & Markets

GRAPH 11: Forward curve wheat (CBOT)



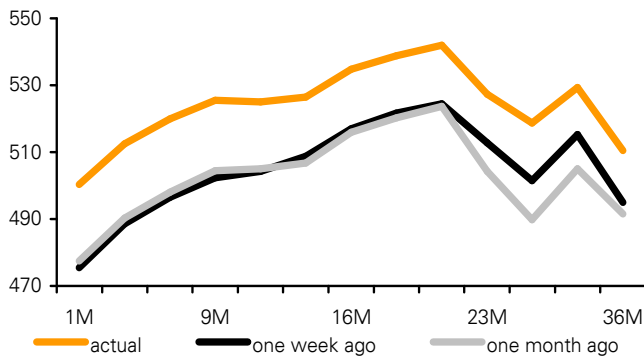
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 12: Forward curve wheat (MATIF)



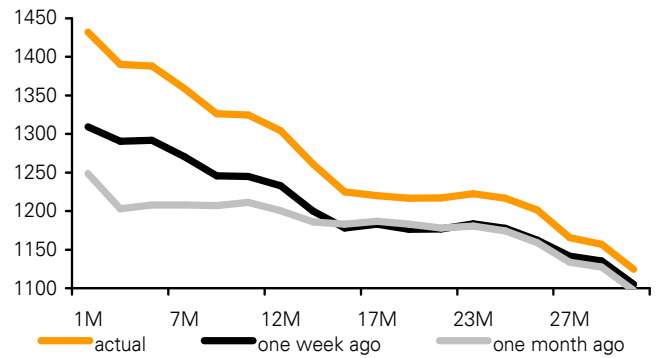
Source: MATIF; Bloomberg, Commerzbank Corporates & Markets

GRAPH 13: Forward curve corn (CBOT)



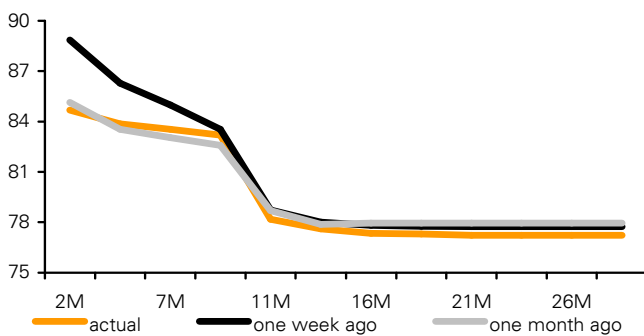
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

GRAPH 14: Forward curve soybeans (CBOT)



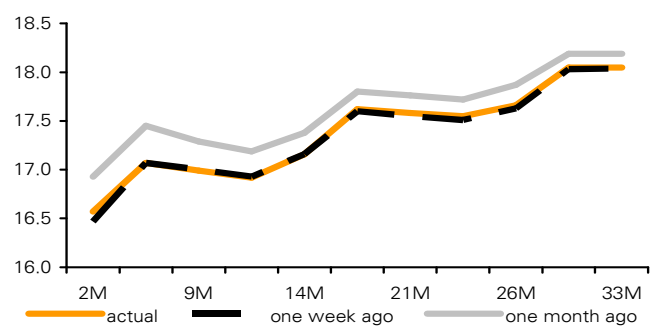
Source: CBOT; Bloomberg, Commerzbank Corporates & Markets

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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