

Commodities Daily

23 November 2016

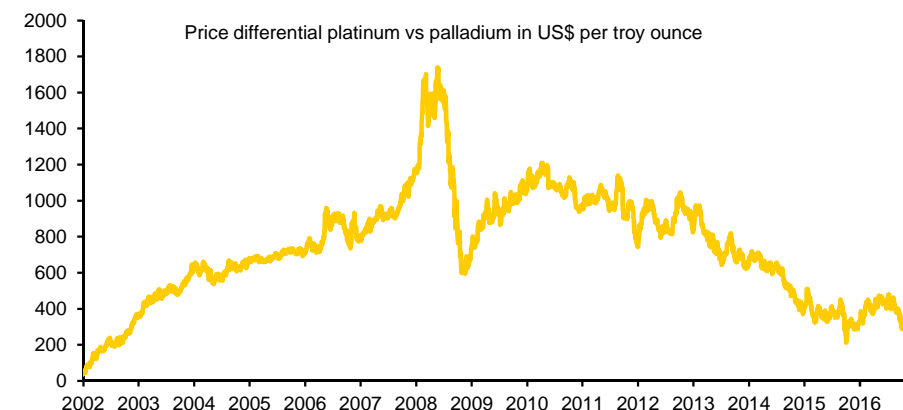
Palladium price at 17-month high

Energy: Brent climbed to nearly \$50 per barrel at its peak yesterday, putting it at its highest level since the end of October. WTI briefly exceeded the \$49 per barrel mark and was thus at its highest level in four weeks. Oil prices have meanwhile fallen by around \$1 from these levels again. The current price movements on the oil market can be explained for the most part by the expectations of next week's OPEC meeting. Given the market positioning of speculative financial investors, oil prices can be expected to show ongoing volatility over the next few days. According to the CFTC, open interest in WTI increased to a record level of 2,027,539 contracts in the week to 15 November. According to the ICE, open interest in Brent is at 2,258,479 contracts, putting it only just short of a record level. Speculative net long positions in both oil types have fallen sharply of late: net longs in WTI dropped by more than half within the space of four weeks, while those in Brent fell by 40% within five weeks. Having said that, this was only due to a minor extent to long positions being reduced. For the most part it was attributable to a build in short positions. If there are growing expectations of an OPEC agreement on production cuts, short covering is likely to drive up the price. If the expectations are reduced, oil prices are likely to come under pressure as long positions are cut.

Precious metals: Gold came under pressure yesterday afternoon amid firm stock markets which express the high level of risk appetite among market participants, rising bond yields and an appreciating US dollar, and fell back towards the \$1,200 per troy ounce mark. The downward pressure came to an end later, however, with the result that gold is trading at \$1,215 again this morning. Switzerland exported somewhat more gold to Asia again in October: according to data from the customs authorities, exports to India climbed significantly – both month-on-month and year-on-year – to 40.2 tons. This corroborates the figures released by the Indian Ministry of Finance, which show that India imported considerably more gold in October, presumably because of the high Hindu festivals. Switzerland exported less gold than before to China, on the other hand, at just 24.2 tons. That said, exports to Hong Kong grew noticeably to 47 tons, and a large proportion of this gold has doubtless found its way to the Chinese mainland. The corresponding data will be released by the Census and Statistics Department of the Hong Kong government tomorrow.

Palladium climbed to \$750 per troy ounce yesterday despite further ETF outflows, thereby achieving its highest level since June 2015. It is clearly finding support from speculative financial investors. As a result of the recent rapid surge in price – palladium has gained by 20% since the beginning of the month – the price gap to platinum has dwindled to below \$200 per troy ounce, and at times was at its lowest level since July 2002. The price differential was still around \$380 in early November.

CHART OF THE DAY: Price premium on platinum vs palladium at 14-year low



Source: Bloomberg, Commerzbank Research

For important disclosure information please see page 5.

research.commerzbank.com / Bloomberg: CBKR / Research APP available

US inventories crude oil / oil products

	API		DOE
	18.11.	Survey	11.11.
Crude oil	-1.3	+0.3	+5.3
Cushing	-0.1	+0.3	+0.7
Gasoline	+2.7	+0.7	+0.7
Distillates	-0.4	-0.2	+0.3
Utiliz. (%)		+0.5	+2.1
Imports	-1.3		+1.0

Weekly change in mm barrels, imports in mbpd,

Source: Reuters, DOE, Bloomberg

Speculative market positioning (net)

18 Nov	'000 contracts	Weekly change
Aluminium	233.222	3.600
Copper	74.144	4.202
Nickel	32.908	2.860
Zinc	70.784	-3.188
Lead	28.012	0.576
Tin	1.523	0.020

Source: LME, Bloomberg

Head of Commodity Research

Eugen Weinberg

+49 69 136 43417

eugen.weinberg@commerzbank.com

Analyst

Carsten Fritsch

+49 69 136 21006

carsten.fritsch@commerzbank.com

Analyst

Barbara Lambrecht

+49 69 136 22295

barbara.lambrecht@commerzbank.com

Analyst

Michaela Kuhl

+49 69 136 29363

michaela.kuhl@commerzbank.com

Analyst

Daniel Briesemann

+49 69 136 29158

daniel.briesemann@commerzbank.com

Base metals: Metals markets continued on their upward trajectory yesterday on the back of ongoing high risk appetite among market participants – the Dow Jones Industrial Average exceeded the 19,000 points mark for the first time. The LME base metals index (LMEX) climbed to its highest level since June 2015. As the LME's statistics on the positioning of speculative market participants show, the increase in metals prices is largely speculatively driven. In the two categories we monitor combined, net long positions in copper and nickel were expanded to record highs last week. Net longs in aluminium are at their highest level in two years. The higher prices in recent months have resulted in more supply. According to data from the various International Study Groups, production of nickel, zinc and lead was stepped up in September. This led to supply surpluses of nickel and lead in September. This does nothing to change the fact that the global nickel market showed a sizeable deficit of 52,600 tons in the first three quarters, however. On the global zinc market too, the supply deficit after three quarters was still considerable at 251,000 tons. By contrast, the global lead market showed a surplus of 38,000 tons. All three markets were showing opposite trends at the same time last year. Judging by the current trend, nothing is likely to change by year's end as far as the existing nickel and zinc deficits or the lead surplus are concerned.

Agriculturals: The soybean price has risen above the 1,000 US cents per bushel mark again this week. As well as the positive performance of the palm oil price, US exports are also likely to have lent the price buoyancy. Over 2.6 million tons of soybeans were inspected for export by the US authorities during the last reporting week – significantly more than surveys had anticipated. There was no longer any headwind from the currency side after the US dollar stabilised recently following its latest surge. Harvesting of the soybean crop is now complete in the US, while only a few fields of corn are left. It is unclear whether the soybean and corn crops in South America will be affected in their development by the slight La Niña conditions. La Niña is often accompanied by dry weather in key growing areas of Brazil and Argentina.

US President-elect Donald Trump has buried the Trans-Pacific Partnership (TPP) this week. This is also likely to mean that the planned Transatlantic Trade and Investment Partnership (TTIP) is off the agenda. According to a study conducted by the University of Hohenheim, TTIP would have resulted in a substantial increase in trade between the EU and the US in the agricultural sector. Agricultural exports from the EU to the US would have grown more sharply in percentage terms than trade in the opposite direction, though this also has to do with the lower starting level of EU exports. A 250% increase in German exports had even been expected.

Prices

Energy 1)	current	1 day	1 week	1 month	yt
Brent Blend	49.1	0.4%	5.2%	-5.3%	32%
WTI	48.0	1.1%	5.3%	-5.6%	30%
Gasoline	466.3	-0.3%	9.3%	-6.8%	18%
Gasoil	445.3	-0.4%	6.1%	-4.0%	34%
Diesel	444.3	-0.3%	6.9%	-4.3%	39%
Jet fuel	442.3	-0.2%	4.5%	-5.7%	24%
Natural gas (\$/mmBtu)	2.98	1.1%	6.8%	-1.3%	26%
Base metals 2)					
Aluminum	1760	2.2%	3.6%	8.2%	17%
Copper	5613	1.0%	3.4%	21.2%	19%
Lead	2192	0.9%	1.9%	10.3%	23%
Nickel	11370	-0.3%	0.4%	14.2%	29%
Tin	21050	1.0%	6.8%	6.6%	46%
Zinc	2602	0.8%	2.9%	14.8%	61%
Precious metals 3)					
Gold	1212.3	-0.2%	-1.1%	-4.3%	14%
Gold (€/oz)	1140.9	-0.1%	-0.3%	-1.7%	17%
Silver	16.6	0.3%	-1.9%	-5.0%	20%
Platinum	940.0	0.2%	-0.5%	0.8%	5%
Palladium	742.9	1.9%	3.6%	19.3%	32%
Agriculturals 1)					
Wheat (LIFFE, €/t)	169.3	0.6%	3.8%	3.8%	-2%
Wheat CBOT	427.3	0.1%	2.2%	2.2%	-10%
Corn	351.0	0.4%	2.8%	-1.3%	-3%
Soybeans	1030.0	1.0%	4.3%	3.6%	19%
Cotton	72.2	-0.1%	2.5%	4.3%	14%
Sugar	19.75	-0.2%	-3.1%	-13.2%	29%
Coffee Arabica	161.9	-0.9%	-2.1%	3.7%	28%
Cocoa (LIFFE, £/t)	2009	0.7%	0.9%	-10.1%	-11%
Currencies 3)					
EUR/USD	1.0627	0.0%	-0.8%	-2.5%	-2%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	490284	-	1.1%	3.4%	8%
Gasoline	221709	-	0.3%	-1.7%	3%
Distillates	148912	-	0.2%	-5.1%	6%
Ethanol	18609	-	-3.2%	-4.0%	-3%
Crude oil Cushing	59170	-	1.2%	-3.5%	4%
Natural gas	4047	-	0.8%	7.7%	1%
Gasoil (ARA)	2712	-	-8.0%	-10.8%	-22%
Gasoline (ARA)	964	-	30.6%	48.1%	40%
Base metals **					
Aluminum LME	2136300	-0.4%	-1.1%	-1.4%	-27%
Shanghai	87735	-	0.7%	3.6%	-69%
Copper LME	239400	-1.2%	-6.3%	-31.0%	-5%
COMEX	75463	0.5%	3.6%	3.9%	7%
Shanghai	134538	-	19.5%	10.8%	-32%
Lead LME	187825	0.0%	-0.1%	-1.0%	43%
Nickel LME	367950	0.1%	0.6%	1.2%	-11%
Tin LME	3070	2.0%	-2.5%	3.7%	-42%
Zinc LME	444550	-0.1%	-0.3%	-2.3%	-19%
Shanghai	157953	-	-2.2%	-4.6%	-11%
Precious metals ***					
Gold	61593	-0.4%	-1.9%	-3.7%	32%
Silver	661228	-0.5%	-1.6%	-2.2%	9%
Platinum	2366	0.2%	-0.3%	3.3%	-3%
Palladium	1909	-0.2%	-5.9%	-5.2%	-21%

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,

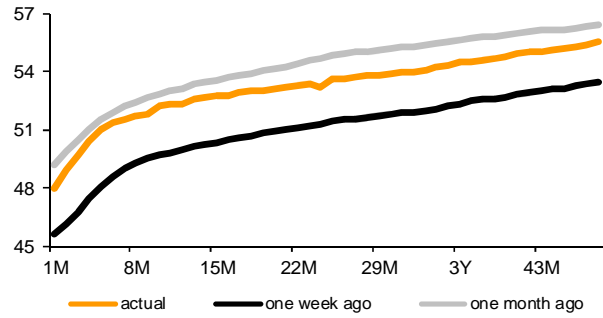
Cotton, sugar and coffee Arabica in US cents per pound

* 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

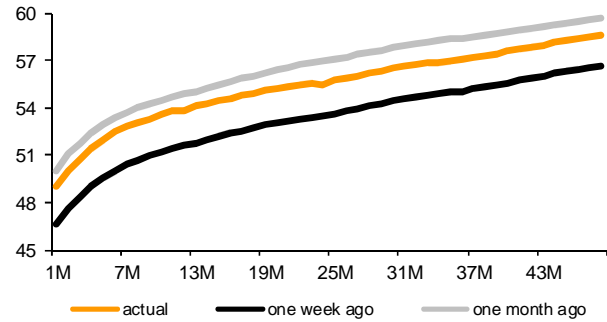
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



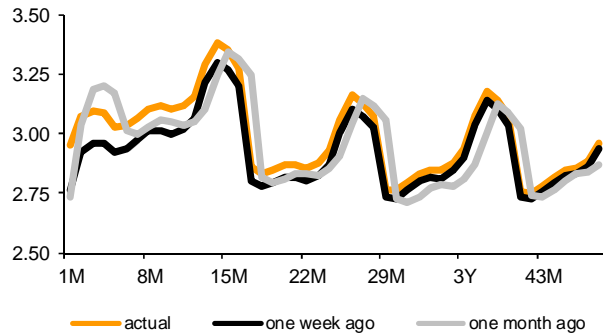
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



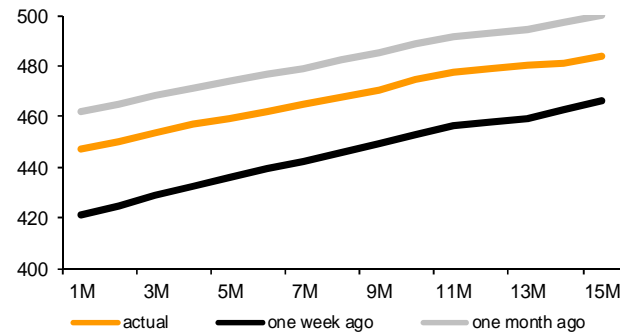
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



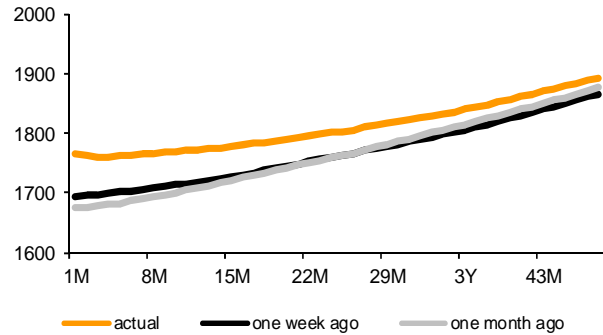
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



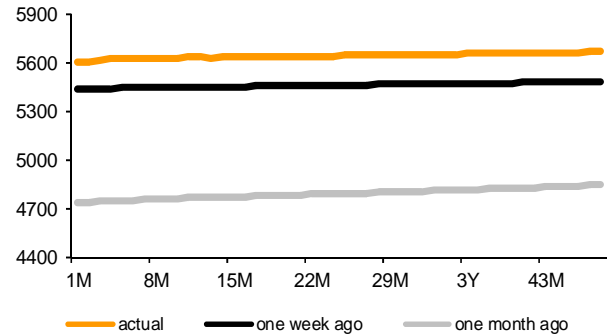
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



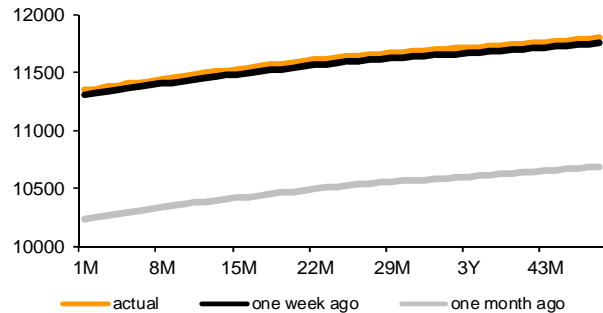
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



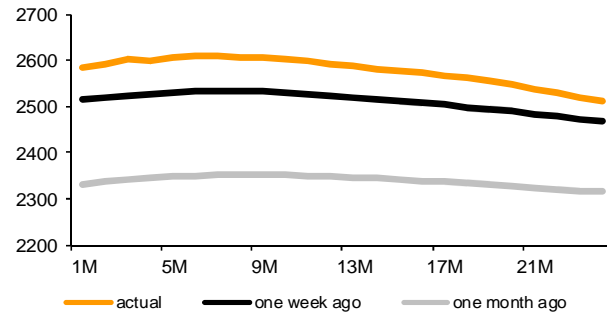
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



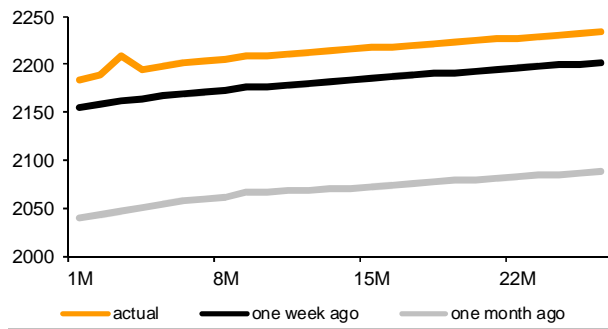
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



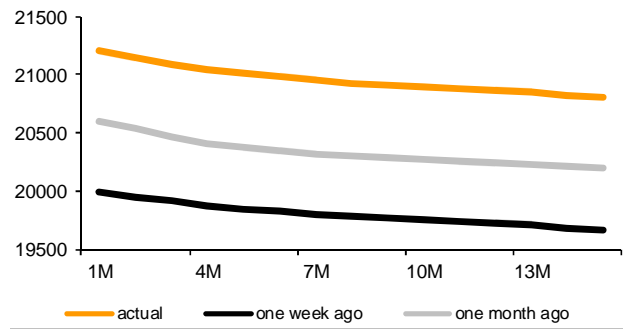
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



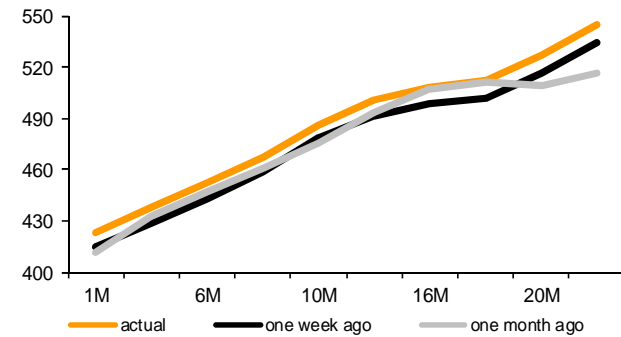
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



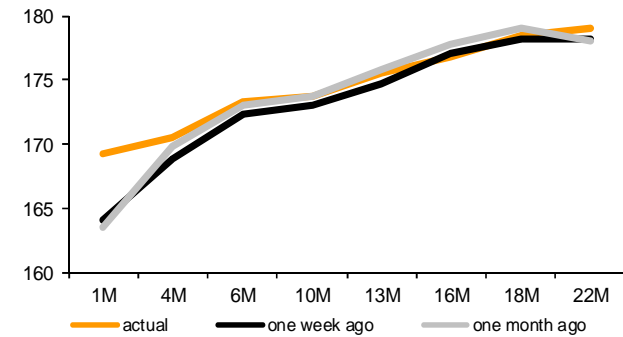
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



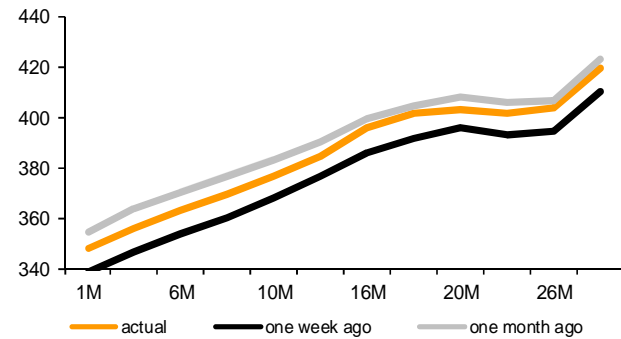
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



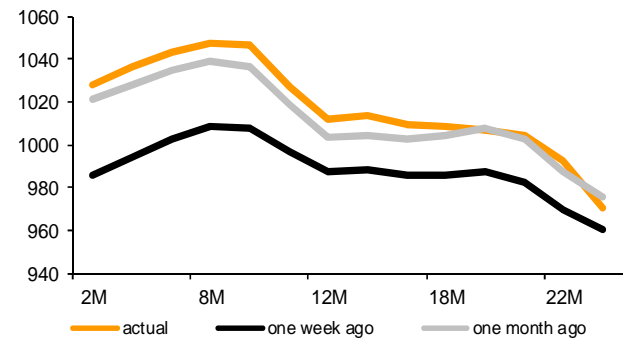
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



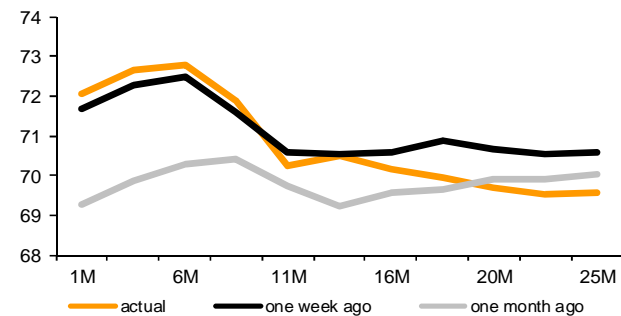
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



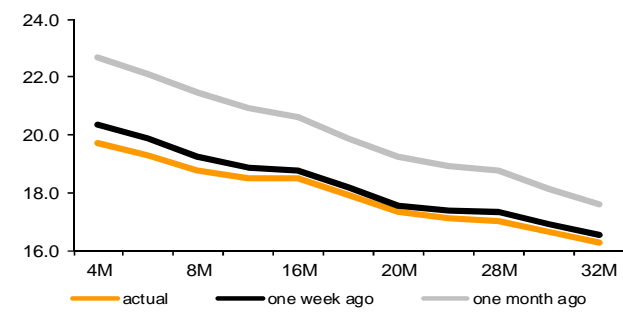
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

In accordance with ESMA MAR requirements this report was completed 23/11/2016 10:54 CET and disseminated 23/11/2016 10:55 CET.

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank Corporates & Markets is the investment banking division of Commerzbank, integrating research, debt, equities, interest rates and foreign exchange.

If this report includes an analysis of one or more equity securities, please note that the author(s) certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The research analyst(s) named on this report are not registered / qualified as research analysts with FINRA. Such research analyst(s) may not be associated persons of Commerz Markets LLC and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price or spread which may fluctuate.

Disclaimer

This document is for information purposes only and does not take into account specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risks, legal, regulatory, credit, accounting and tax implications.

The information in this document is based on public data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. Commerzbank has not performed any independent review or due diligence of publicly available information regarding an unaffiliated reference asset or index. The opinions and estimates contained herein reflect the current judgement of the author(s) on the date of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

This communication may contain trading ideas where Commerzbank may trade in such financial instruments with customers or other counterparties. Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Commerzbank and or its affiliates may act as a market maker in the instrument(s) and or its derivative that has been mentioned in our research reports. Employees of Commerzbank and or its affiliates may provide written or oral commentary, including trading strategies, to our clients and business units that may be contrary to the opinions conveyed in this research report. Commerzbank may perform or seek to perform investment banking services for issuers mentioned in research reports.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Additional notes to readers in the following countries:

Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by both the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Strasse 108, 53117 Bonn, Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main and the European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany.

United Kingdom: This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), and the European Central Bank and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details on the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.

United States: This document has been approved for distribution in the US under applicable US law by Commerz Markets LLC ("Commerz Markets"), a wholly owned subsidiary of Commerzbank AG and a US registered broker-dealer. Any securities transaction by US persons must be effected with Commerz Markets, and transaction in swaps with Commerzbank AG. Under applicable US law; information regarding clients of Commerz Markets may be distributed to other companies within the Commerzbank group. This research report is intended for distribution in the United States solely to "institutional investors" and "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Commerz Markets is a member of FINRA and SIPC. Commerzbank AG is a provisionally registered swap dealer with the CFTC.

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

European Economic Area: Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA.

Singapore: This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor as defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 of the SFA.

Hong Kong: This document is furnished in Hong Kong by Commerzbank AG, Hong Kong Branch, and may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Japan: This research report and its distribution do not constitute and should not be construed as a "solicitation" under the Financial Instrument Exchange Act (FIEA). This document may be distributed in Japan solely to "professional investors" as defined in Section 2(31) of the FIEA and Section 23 of the Cabinet Ordinance

Regarding Definition of Section 2 of the FIEA by Commerzbank AG, Tokyo Branch. Note, however, that Commerzbank AG, Tokyo Branch has not participated in its preparation. Not all financial or other instruments referred to in this document are available within Japan. Please contact the Corporates & Markets division of Commerzbank AG or Commerzbank AG, Tokyo Branch for inquiries on the availability of such instruments. [Commerzbank AG, Tokyo Branch] Registered Financial Institution: Director of Kanto Local Finance Bureau (Tokin) No. 641 / Member Association: Japanese Bankers Association.

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

© Commerzbank AG 2016. All rights reserved. Version 9.25

Commerzbank Corporates & Markets**Frankfurt**

Commerzbank AG
DLZ - Gebäude 2, Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt

Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY

Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd floor,
New York,
NY 10281-1050

Tel: + 1 212 703 4000

Singapore

Commerzbank AG
71, Robinson Road, #12-01
Singapore 068895

Tel: +65 631 10000

Hong Kong

Commerzbank AG
15th Floor, Lee Garden One
33 Hysan Avenue,
Causeway Bay
Hong Kong
Tel: +852 3988 0988