

Commodities Daily

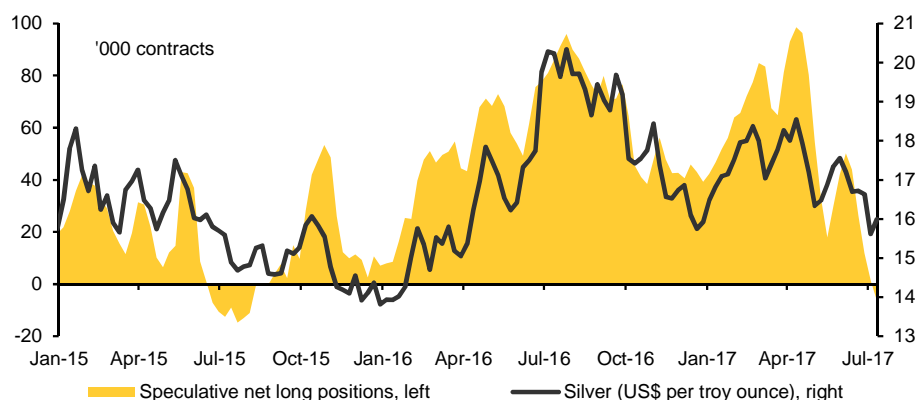
17 July 2017

Oil and metals lifted by Chinese data

Energy: Oil prices have been continuing their upswing as the new week of trading begins. Brent is trading above \$49 per barrel and WTI at \$46.7 per barrel. Brent gained by 4.7% last week and WTI by more than 5%. The most pronounced inventory reduction in the US in ten months and the resulting decline in US crude oil stocks to below the 500 million barrel mark in the last reporting week have clearly prompted a shift in sentiment among market participants. This also explains why the sceptical wording of the IEA's monthly oil market report on Thursday and the renewed increase in drilling activity in the US reported by Baker Hughes on Friday evening did not weigh any further on prices. Admittedly, the oil rig count only rose by two – yet prices would have responded negatively to this just a few weeks ago. Overnight, prices found support from data from China pointing to robust oil demand. According to the National Bureau of Statistics, crude oil processing in China climbed to 11.21 million barrels per day in June. This is a 2.3% year-on-year increase, and puts processing only marginally below the December 2016 record level. Crude oil processing in the first half year averaged 11.1 million barrels per day, putting it 3% up on the year-on-year level. By contrast, Chinese crude oil production declined by 5.1% year-on-year in the first half year, so import demand is correspondingly high. Last week the Chinese customs authorities had already reported robust crude oil imports of 8.8 million barrels per day in June.

Precious metals: Gold profited from weak US economic data on Friday and climbed to a good \$1,230 per troy ounce – the same level at which it is also trading this morning. This also puts gold directly on the technically important 200-day moving average. If it were to rise above this level in any lasting fashion, we could see technical follow-up buying. Consumer prices in the US rose hardly at all in June, which means that inflation pressure is lower than the US Fed had hoped. Retail sales figures also fell significantly short of expectations, which weakened the US dollar and caused US bond yields to fall because rate hike expectations likewise declined. That said, the rise in the gold price was not accompanied by ETF inflows. On the contrary, the gold ETFs tracked by Bloomberg actually saw outflows on Friday, meaning that buying must have taken place primarily on the futures market. Speculative financial investors have clearly been more optimistic about gold again of late after having withdrawn from gold until 11 July. According to the CFTC's statistics, net long positions were reduced for the fifth consecutive week. At 23,200 contracts, they found themselves at their lowest level since January 2016. In the case of silver, there were even net short positions again for the first time since August 2015. This explains at least partly why the silver price was unable to gain significantly despite robust ETF inflows.

CHART OF THE DAY: Speculative financial investors betting on falling silver price



Source: CFTC, Bloomberg, Commerzbank Research

Speculative market positioning (net)

11-Jul	'000 contracts	Weekly change
WTI	157.255	29.287
Henry Hub	109.575	-10.469
Gasoline	6.075	16.454
Gold	23.222	-10.467
Silver	-6.361	-7.527
Platinum	-13.115	-1.134
Palladium	21.871	-1.355
Copper	66.510	-2.595
Wheat	53.971	29.974
Corn	115.066	152.673
Soybeans	7.212	89.842
Cotton	25.186	-4.039
Coffee	-42.136	3.113
Cocoa	-53.214	-8.360
Sugar	-117.551	-4.910

Source: CFTC, Bloomberg

Number of active US oil and gas rigs

14-Jul	Rig count	weekly change
USA total	952	0
Oil	765	2
Gas	187	-2
Horizontal	804	0
Vertical	76	2
Directional	72	-2

Source: Baker Hughes, 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

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Base metals: Metals prices are gaining across the board on the back of good Chinese economic data as the new week gets underway. Copper has climbed to nearly \$6,000 per ton, zinc has increased to \$2,840 per ton and nickel is trading at around \$9,600 per ton. The Chinese economy grew by 6.9% in the second quarter – this is somewhat more than expected and well above the 6.5% growth target. Industrial production grew by 7.6% in June, which significantly surpassed expectations, while fixed asset investments increased by 8.6%. Even though dynamism picked up noticeably in the second quarter, our economists do not believe the momentum will be maintained throughout the second half year. They expect the measures to cool the real estate sector in particular to contribute to more moderate economic growth in the second half of the year. Clearly some other market participants take a similar view, as Chinese stock markets came under considerable pressure following publication of the data.

According to data from the National Bureau of Statistics, record quantities of steel and aluminium were produced in China in June. Steel production increased by 5.7% year-on-year to 73.2 million tons, while aluminium production was stepped up by 7.4% to 2.93 million tons. Production of steel and aluminium was also at record levels in the first half of the year, at nearly 420 million and just shy of 17 million tons respectively. In other words, the (announced) closure of production capacities is still not being reflected in the actual production figures.

Agriculturals: The French agency FranceAgrimer confirmed recently that French soft wheat exports to non-EU countries slumped by 61% in 2016/17, plunging to just 4.9 million tons after a figure of 12.6 million tons was achieved in 2015/16. This was due to the disastrous wheat crop in 2016/17. France was therefore responsible to a major extent for EU soft wheat exports falling 26% short of the previous year in 2016/17. The European Commission believes that the tide will turn in the season that is now beginning, yet the growth in EU (soft and hard) wheat exports envisaged by the Commission is fairly meagre at only a good 7%. French production looks set to return to a normal level of around 37 million tons. The German Farmers' Cooperative (DRV) has revised crop expectations slightly upwards for Germany. According to the new figures, the wheat crop should be 4% up on the previous year, thanks mainly to better yields. On the other hand, there is a risk of crop shortfalls due to drought in some southern European countries like Spain and Italy.

The European Commission estimates that EU sugar production will surge by 20% to 20.1 million tons in 2017/18 thanks to a 16% increase in acreage. This is how sugar companies are preparing for the lifting of quota regulations in September. Factory utilisation is to be increased by extending the production period, thereby reducing average costs so as to begin the quota-free era in a more competitive position.

Prices

Energy 1)	current	1 day	1 week	1 month	2017
Brent Blend	48.9	1.0%	4.9%	3.8%	-13%
WTI	46.5	1.0%	5.4%	4.6%	-13%
Gasoline	504.5	0.7%	3.4%	4.1%	-6%
Gasoil	447.8	1.0%	4.0%	6.6%	-11%
Diesel	446.8	0.7%	4.3%	6.8%	-11%
Jet fuel	449.5	0.3%	3.2%	3.3%	-11%
Natural gas (\$/mmBtu)	2.98	0.6%	2.1%	-1.5%	-20%
EUA (€/ton)	5.42	1.1%	0.9%	11.7%	-17%
Base metals 2)					
Aluminum	1927	0.2%	2.1%	3.7%	14%
Copper	5926	0.9%	2.6%	5.6%	8%
Lead	2316	1.0%	0.0%	9.9%	15%
Nickel	9575	4.0%	6.7%	7.4%	-4%
Tin	19810	0.0%	0.5%	1.7%	-5%
Zinc	2786	-0.6%	1.1%	11.2%	9%
Precious metals 3)					
Gold	1228.7	0.9%	1.3%	-1.8%	7%
Gold (€/oz)	1071.5	0.3%	1.0%	-3.6%	-2%
Silver	16.0	1.9%	2.2%	-4.1%	1%
Platinum	921.5	1.7%	2.5%	-0.7%	2%
Palladium	860.5	0.3%	2.0%	-1.4%	26%
Agriculturals 1)					
Wheat (LIFFE, €/t)	180.8	-0.3%	-2.6%	4.2%	8%
Wheat CBOT	510.8	-0.2%	-8.8%	4.7%	19%
Corn	376.3	1.2%	3.0%	-3.2%	6%
Soybeans	1001.5	1.4%	-4.6%	4.8%	-6%
Cotton	66.6	0.3%	-2.9%	-3.9%	-6%
Sugar	14.30	-0.6%	4.9%	4.3%	-27%
Coffee Arabica	133.7	1.9%	3.7%	4.7%	-2%
Cocoa (ICE NY)	1915	2.3%	2.3%	-7.7%	-10%
Currencies 3)					
EUR/USD	1.1470	0.6%	0.4%	2.6%	9%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	495350	-	-1.5%	-3.5%	0%
Gasoline	235656	-	-0.7%	-2.0%	-1%
Distillates	153553	-	2.1%	1.6%	3%
Ethanol	21181	-	-1.8%	-3.6%	-2%
Crude oil Cushing	57561	-	-3.3%	-9.2%	-10%
Natural gas	2945	-	2.0%	11.9%	-7%
Gasoil (ARA)	2917	-	0.6%	8.2%	-10%
Gasoline (ARA)	797	-	-3.2%	-10.7%	-28%
Base metals **					
Aluminum LME	1378250	-0.3%	-0.3%	-3.8%	-41%
Shanghai	447548	-	3.2%	3.5%	211%
Copper LME	309125	-1.3%	-3.4%	15.2%	34%
COMEX	165650	0.0%	1.4%	2.2%	161%
Shanghai	181632	-	-0.6%	-4.5%	3%
Lead LME	158100	-0.1%	-1.0%	-10.0%	-15%
Nickel LME	373206	-0.4%	0.1%	-1.0%	-1%
Tin LME	1935	0.0%	1.8%	2.4%	-68%
Zinc LME	264200	-1.0%	-5.4%	-15.9%	-40%
Shanghai	77786	-	16.2%	13.7%	-62%
Precious metals ***					
Gold	59710	-0.4%	-0.5%	-1.6%	-5%
Silver	680765	0.4%	1.6%	1.9%	4%
Platinum	2466	0.2%	1.3%	-2.1%	7%
Palladium	1431	0.0%	-0.4%	-2.4%	-36%

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

Percentage change on previous period
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

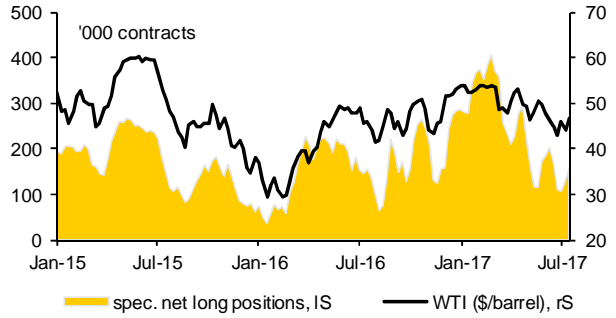
Crude oil in USD per barrel, oil products, base metals and cocoa in USD per ton, Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel, Cotton, sugar and coffee Arabica in US cents per pound

* 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

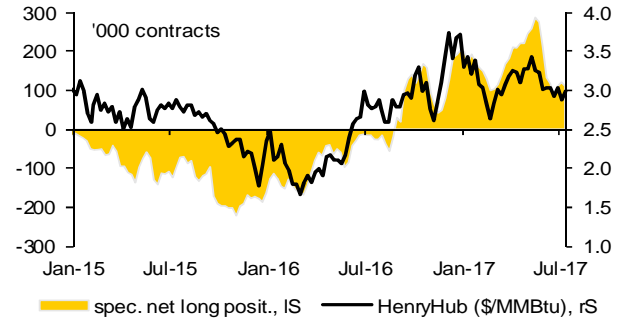
Net long positions of money managers vs. price

GRAPH 1: Crude oil (WTI)



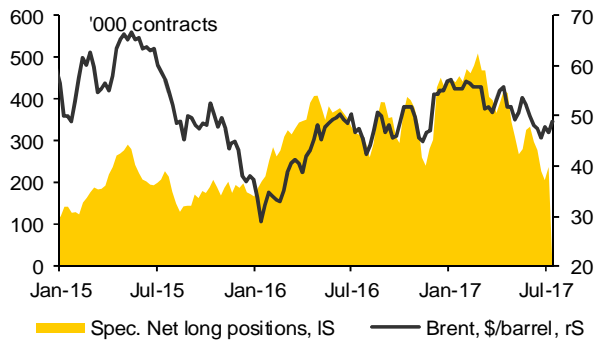
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 2: Natural gas (Henry Hub; futures and swaps)



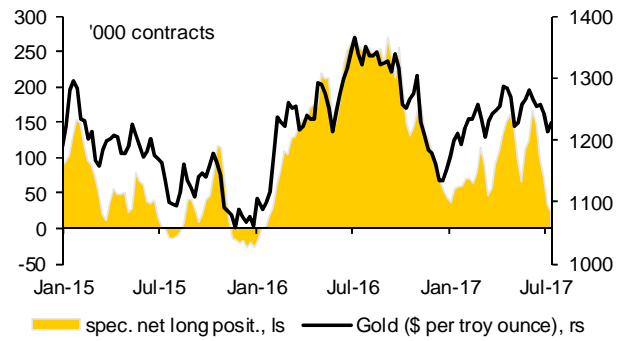
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 3: Crude oil (Brent)



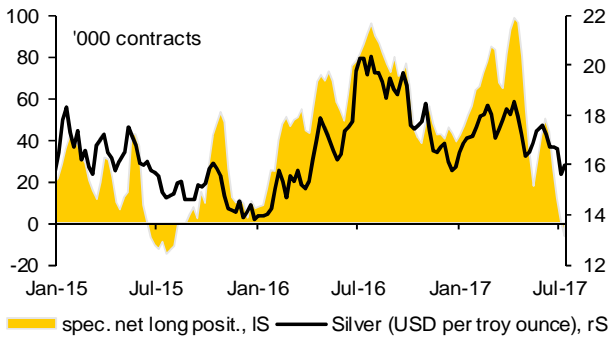
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 4: Gold



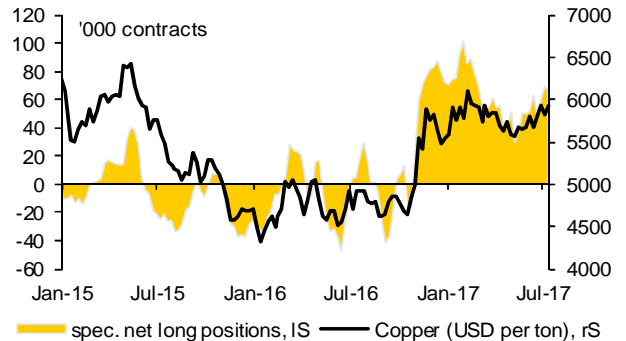
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 5: Silver



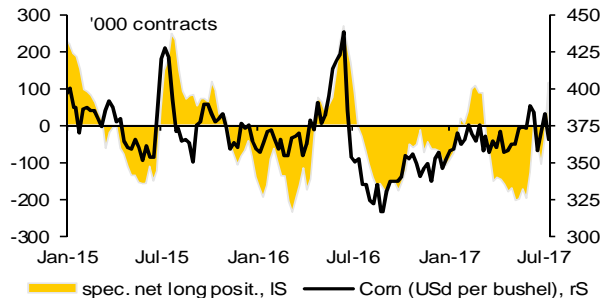
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 6: Copper



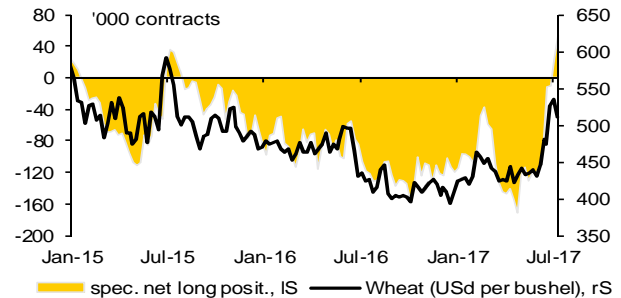
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 7: Corn



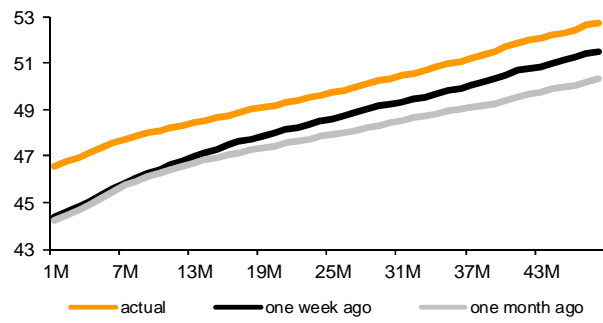
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 8: Wheat



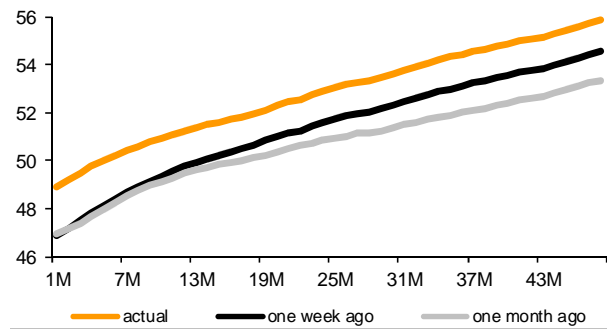
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



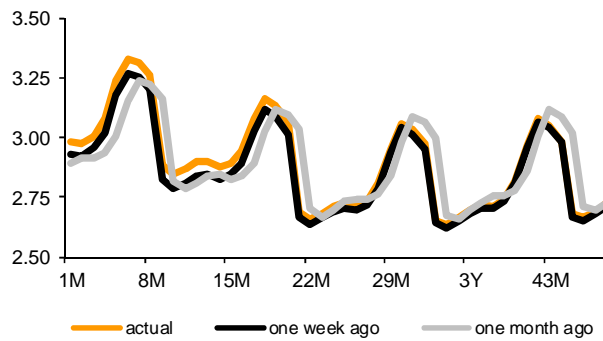
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



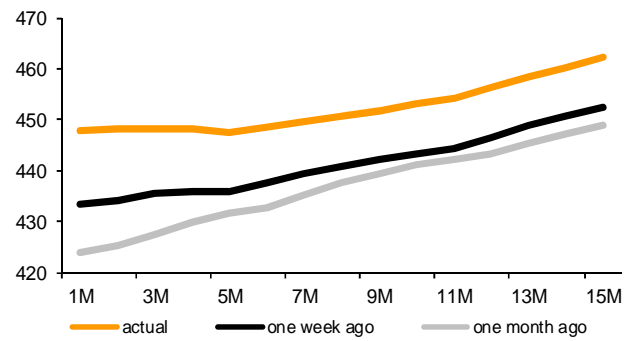
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



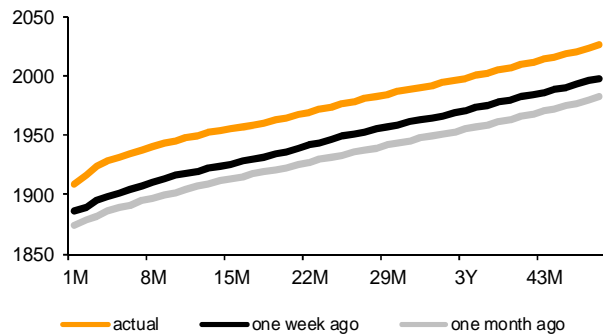
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



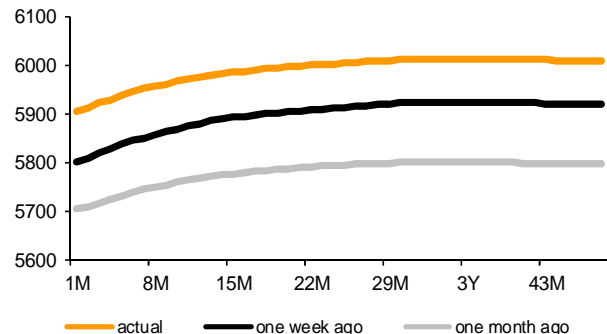
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



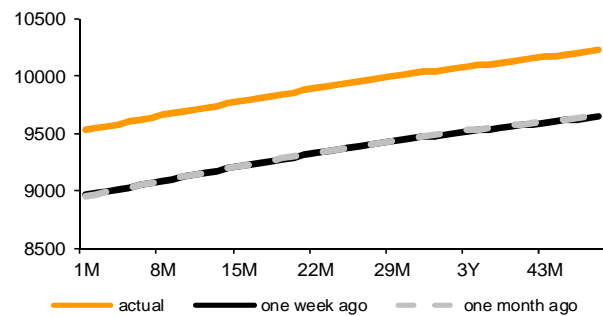
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



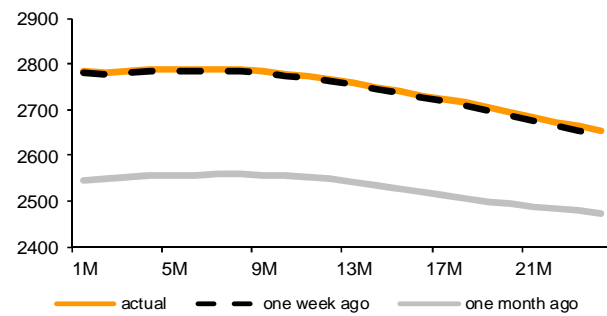
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve Nickel (LME)



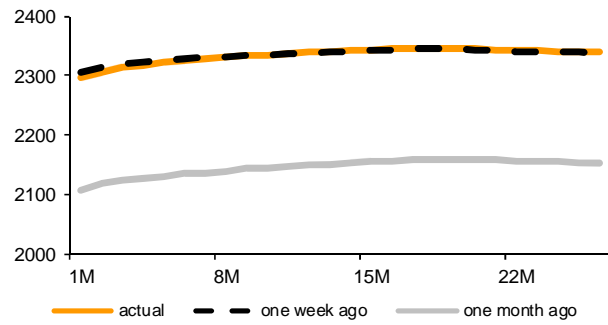
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



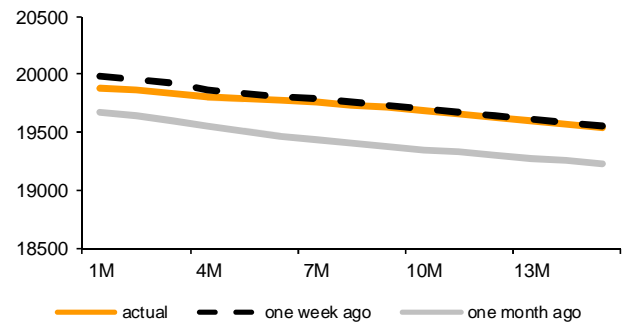
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



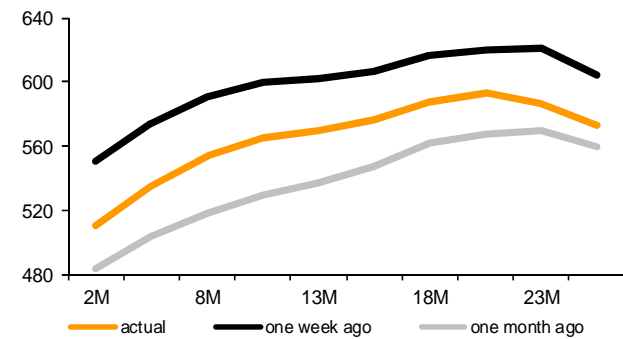
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



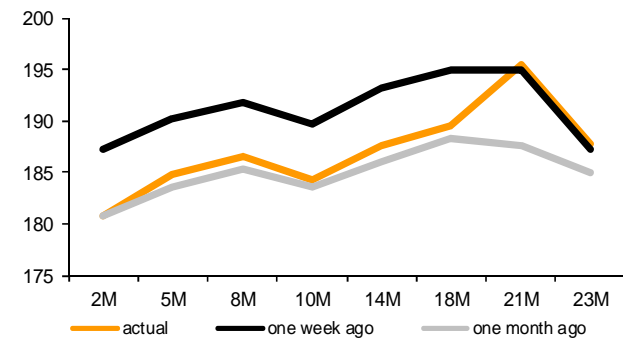
Source: LME; Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



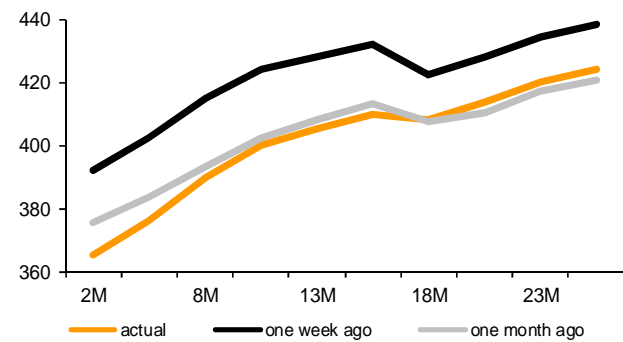
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



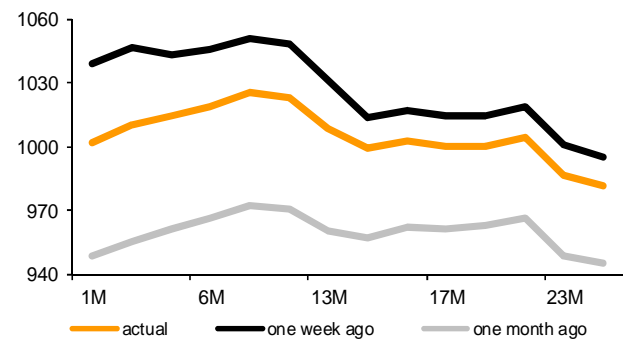
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve corn (CBOT)



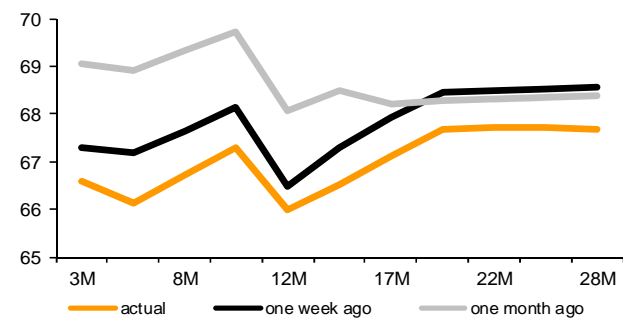
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



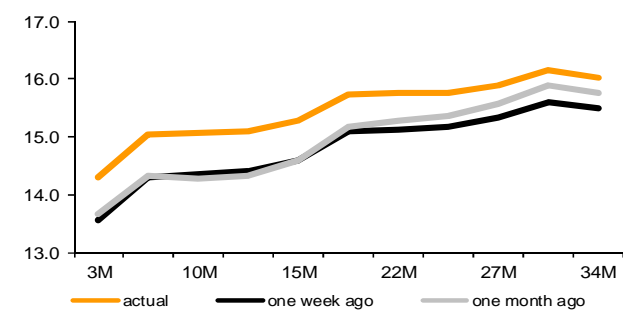
Source: CBOT; Bloomberg, Commerzbank Research

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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Commerzbank Corporate Clients

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