

Commodities Daily

11 August 2017

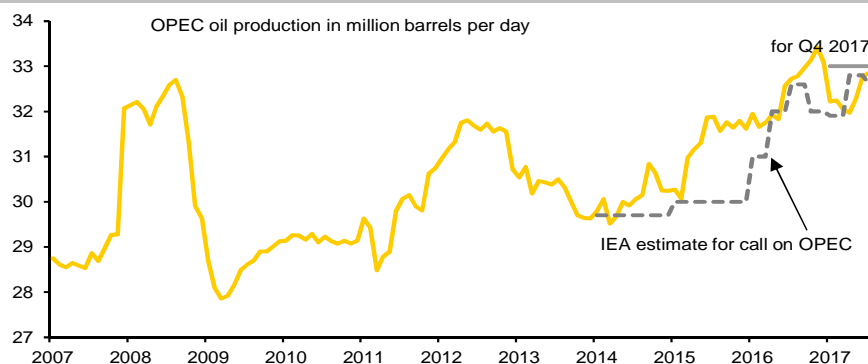
USDA releases surprisingly high US crop estimates

Energy: Oil prices have been under pressure since yesterday afternoon on the back of growing risk aversion. Previously Brent had climbed to \$53.5 per barrel, putting it at its highest level since OPEC's late May meeting. It now costs \$2 less again. WTI briefly rose above the \$50 per barrel mark yesterday and is currently trading at a good \$48. OPEC has slightly increased the estimated average call on OPEC for this year and next to 32.4 million barrels per day because demand is set to be somewhat higher and non-OPEC supply somewhat lower than previously thought. Since OPEC production increased to 32.87 million barrels per day in July, the market is still amply supplied, so the oversupply is likely to be reduced only very sluggishly. The rise in OPEC production was attributable chiefly to Libya. Furthermore, compliance with the production cuts decreased to 86%. The oil ministers in Iraq and Saudi Arabia expressed their commitment to the cut agreement yesterday, yet Iraq's meagre 44% compliance rate tells a different story. The International Energy Agency has even significantly reduced the call on OPEC for 2017 and 2018 due to a downward revision of historic demand estimates. The current OPEC production figure estimated by the IEA also surpasses the annual average demand, which argues against any rapid tightening of the market. According to the IEA, compliance with the production cuts dropped to a new low of 75%. The overhang of OECD stocks decreased in June to 219 million barrels.

Precious metals: Gold remains in demand as a safe haven and is still on the up. It climbed for a time to \$1,290 and nearly €1,100 per troy ounce and in USD is thus nearing the 2017-high it achieved in early June. US President Trump has further stepped up the rhetoric vis-à-vis North Korea. However, yesterday also saw gold gain on the back of weak producer prices in the US in July which caused the US dollar to depreciate again. The fact that the rise in producer prices was less marked year-on-year could serve as an indicator of consumer prices in the US, due to be published this afternoon. If it turns out that consumer prices in July rose less steeply than expected, this would probably have a positive impact on gold because it would no doubt make the Fed more hesitant about implementing its next rate hike. Silver increased nearly three times as sharply as gold for a time yesterday and has thus gained some further ground as compared to gold. It exceeded both the technically important 100- and 200-day moving averages yesterday, which resulted in technical follow-up buying and boosted the price rise.

According to data from the China Association of Automobile Manufacturers, 1.68 million cars were sold in China in July, which is 4.3% more than last July. At first glance, it would appear that the effect of the tax increase at the start of the year has meanwhile dissipated. Yet a second glance at the figures reveals that the better car sales were generated by high discounts. Because car purchases were brought forward from September last year, the current dynamism is likely to abate pretty quickly again, which should also influence demand for palladium.

CHART OF THE DAY: Excessive OPEC production makes reducing oversupply difficult



Source: IEA, Reuters, Commerzbank Research

For important disclosure information please see page 6.

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Base metals: Metals prices also came under pressure yesterday amid falling oil prices and weaker stock markets that reflect higher risk aversion among market participants. This morning they are falling further, which we believe is also due to profit-taking following the previous sharp price rises. What is more, steel and iron ore prices are declining noticeably today in China – rebar by 3.5% for a time and iron ore by over 5% – which no doubt is likewise weighing on metals prices. As the Chinese trade statistics published by the customs authorities on Tuesday show, China once again exported only relatively little steel in July. At nearly 7 million tons, exports were somewhat above the previous month's figure, however. Because of the significantly higher local prices and high demand, Chinese steel producers have been increasingly selling their products on the domestic market for months. The fact that steel prices rose by 11% in July alone is likely to be part of the reason why Chinese manufacturers continued to produce record quantities of steel. The corresponding data will be published by the National Bureau of Statistics next week.

According to the country's Ministry of Trade, Indonesia exported 6,200 tons of tin in July, significantly more than in June and in last July. The world market urgently needs this material, however, because LME stocks for example are at their lowest level in 28 years. This week they were reduced again by 15%.

Agriculturals: The new crop estimates from the US Department of Agriculture put pressure on corn and soybean prices yesterday evening. Corn fell by 4% and soybeans by 3.4%. The US crops envisaged by the USDA significantly exceeded expectations. The USDA anticipates a corn crop of 14.153 billion bushels (359.5 million tons). Previously, the market had assumed that the figure would be revised much more sharply downwards to 13.8 billion bushels. The International Grains Council (IGC) had recently lowered its estimate to 352.1 million tons. The USDA even revised its soybean crop estimate up to a record-high 4.381 billion bushels (119.2 million tons) despite a downward revision to 4.2 billion bushels having been anticipated (IGC 112.8 million tons). The per-acre yields envisaged for corn were reduced only negligibly by the USDA and were actually increased for soybeans. This is astonishing given the condition of the crops: both corn and soybean plants are currently in worse condition than two years ago. Nonetheless, the USDA is expecting a higher per-acre yield in each case than in 2015. The USDA is likely to correct its optimistic assessments in the next few months and to downwardly revise its crop estimates accordingly. But first the market will have to digest the shock of yesterday's news. Wheat also came under pressure yesterday following a marked upward revision of the Russian crop to 77.5 million tons.

Prices

Energy 1)	current	1 day	1 week	1 month	2017
Brent Blend	51.9	-1.5%	-2.0%	8.1%	-10%
WTI	48.6	-2.0%	-3.1%	6.7%	-11%
Gasoline	536.3	0.0%	-2.3%	8.7%	0%
Gasoil	486.5	0.9%	-2.5%	9.7%	-6%
Diesel	486.5	0.9%	-1.1%	12.5%	-3%
Jet fuel	480.8	0.5%	-0.4%	9.6%	-4%
Natural gas (\$/mmBtu)	2.99	3.5%	7.8%	-1.9%	-20%
EUA (€/ton)	5.37	0.0%	0.4%	0.8%	-18%
Base metals 2)					
Aluminum	2037	0.5%	6.1%	6.7%	20%
Copper	6423	-0.5%	-0.1%	8.4%	15%
Lead	2366	0.7%	-0.6%	1.9%	16%
Nickel	10985	2.1%	4.2%	17.0%	7%
Tin	20325	0.6%	-1.3%	2.4%	-4%
Zinc	2938	0.2%	3.6%	3.3%	13%
Precious metals 3)					
Gold	1286.3	0.7%	2.3%	5.8%	12%
Gold (€/oz)	1092.7	0.6%	2.5%	3.2%	0%
Silver	17.1	1.0%	5.3%	8.1%	8%
Platinum	981.5	0.6%	1.9%	9.1%	9%
Palladium	899.0	0.9%	2.4%	5.6%	32%
Agriculturals 1)					
Wheat (LIFFE, €/t)	167.3	-0.3%	-0.6%	-10.7%	0%
Wheat CBOT	468.8	-3.7%	-4.2%	-15.0%	8%
Corn	357.3	-4.0%	-3.8%	-8.7%	12%
Soybeans	940.3	-3.4%	-3.2%	-10.0%	-5%
Cotton	68.1	-4.2%	-2.9%	1.0%	-3%
Sugar	13.24	0.1%	-6.3%	-1.4%	-32%
Coffee Arabica	142.0	-0.5%	0.8%	11.3%	3%
Cocoa (ICE NY)	1965	-2.0%	-5.8%	6.9%	-8%
Currencies 3)					
EUR/USD	1.1772	0.1%	-0.2%	2.5%	12%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	475437	-	-1.3%	-5.5%	-3%
Gasoline	231103	-	1.5%	-2.6%	-3%
Distillates	147685	-	-1.2%	-1.8%	-4%
Ethanol	21347	-	2.4%	-1.0%	4%
Crude oil Cushing	56369	-	1.0%	-5.3%	-12%
Natural gas	3038	-	0.9%	5.2%	-8%
Gasoil (ARA)	2612	-	-3.8%	-10.0%	-20%
Gasoline (ARA)	896	-	-2.2%	8.9%	-23%
Base metals **					
Aluminum LME	1283825	-0.8%	-3.6%	-6.8%	-43%
Shanghai	473361	-	2.6%	9.2%	316%
Copper LME	283675	-1.5%	-4.9%	-11.3%	39%
COMEX	174951	0.7%	1.2%	6.6%	165%
Shanghai	207777	-	9.0%	13.7%	19%
Lead LME	152050	-0.3%	0.7%	-4.4%	-19%
Nickel LME	375696	0.4%	0.7%	0.8%	2%
Tin LME	1730	1.8%	-14.8%	-6.5%	-66%
Zinc LME	258300	-0.5%	-2.2%	-6.5%	-44%
Shanghai	72044	-	-10.7%	7.6%	-63%
Precious metals ***					
Gold	66296	0.1%	-0.1%	-2.0%	-3%
Silver	669871	0.0%	-0.8%	-0.5%	2%
Platinum	2496	0.0%	-0.2%	1.9%	8%
Palladium	1542	0.9%	4.3%	7.3%	-28%

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,

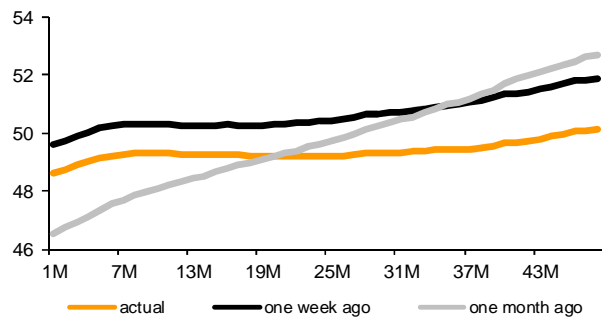
Cotton, sugar and coffee Arabica in US cents per pound

* 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

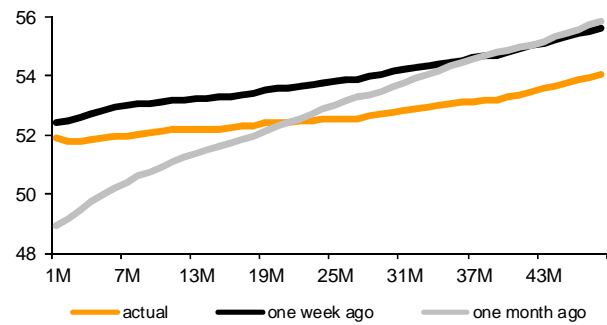
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



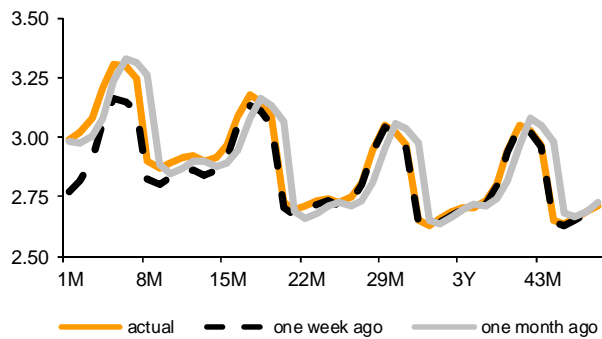
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



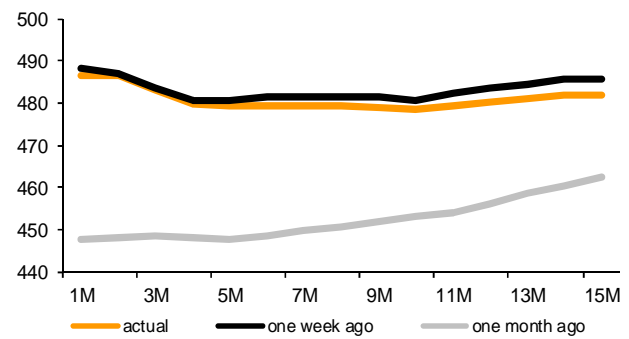
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



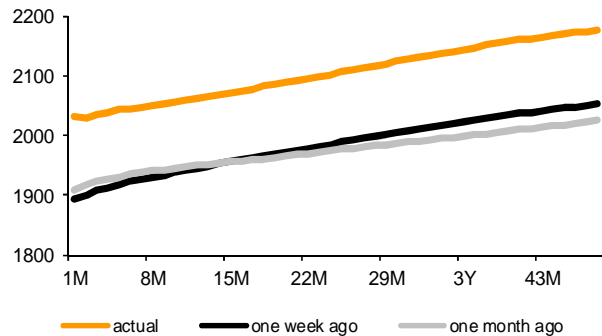
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



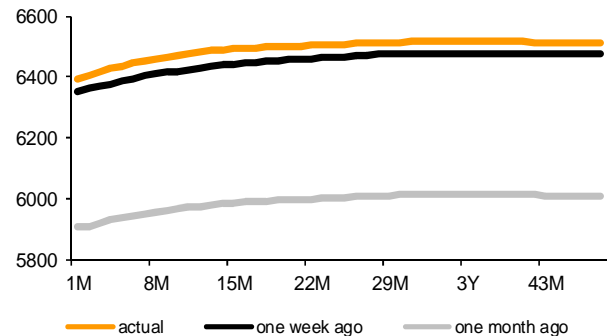
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



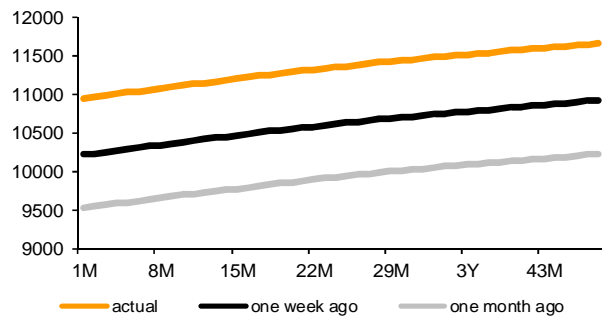
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



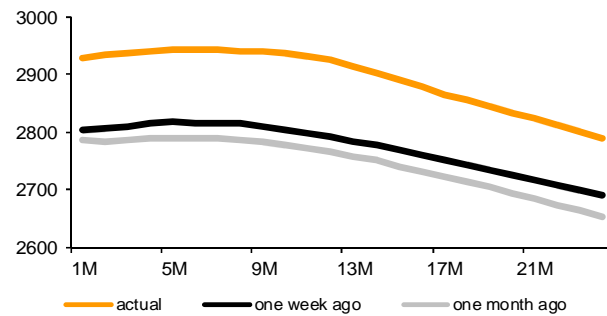
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



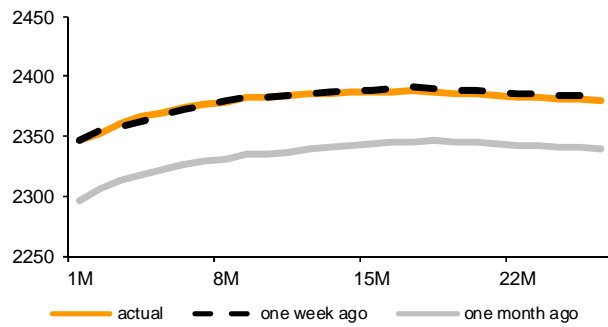
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



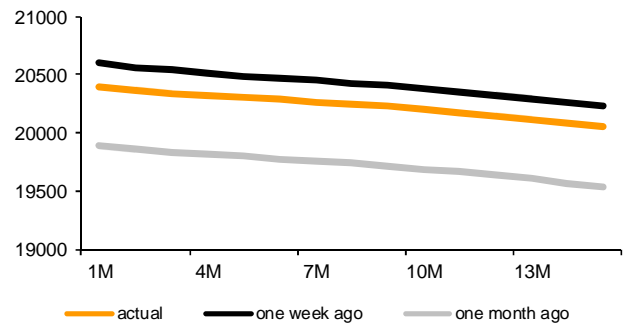
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



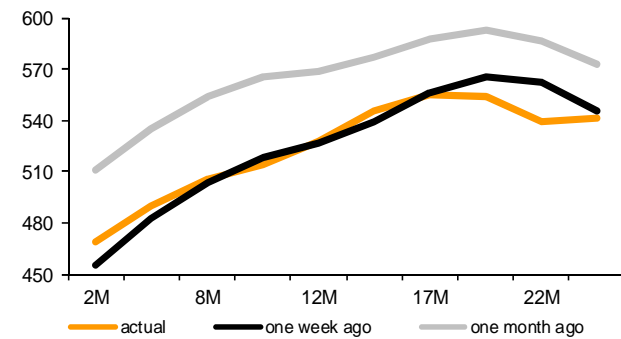
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



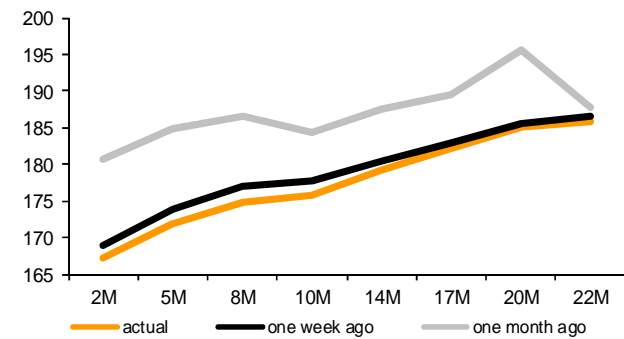
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



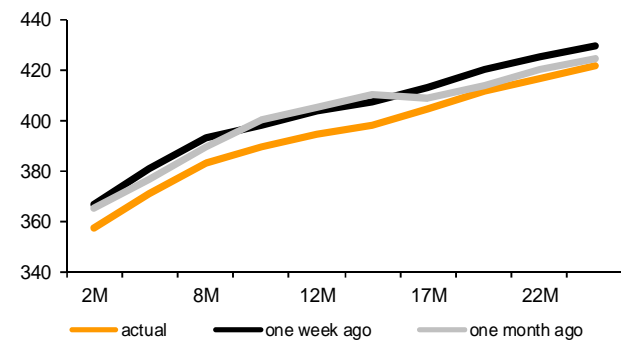
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (MATIF)



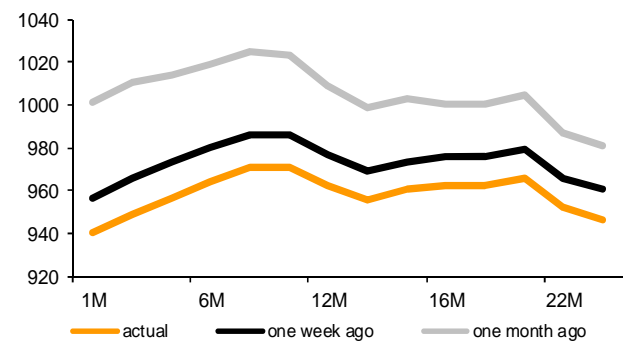
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



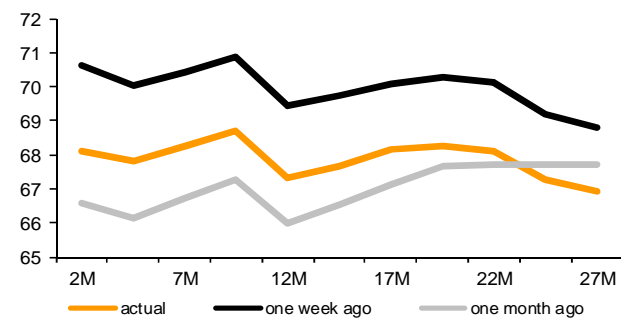
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



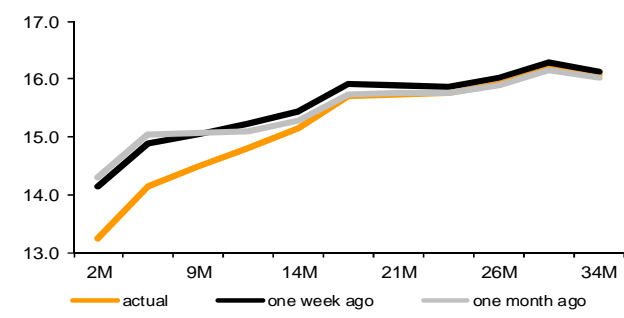
Source: CBOT; Bloomberg, Commerzbank Research

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 11/08/2017 10:44 CEST and disseminated 11/08/2017 10:45 CEST.

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