



Commodities Daily

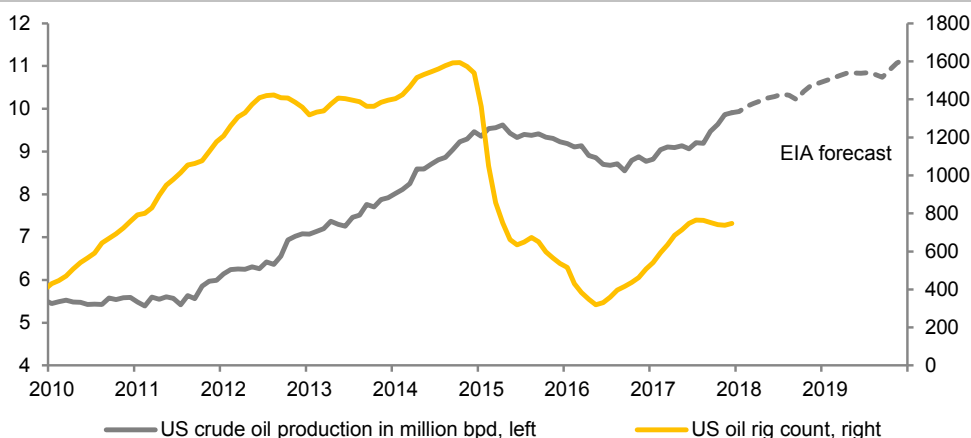
10 January 2018

Oil prices become detached from fundamentals

Energy: Oil prices have risen by approx. \$1 since yesterday evening. Brent has climbed this morning to \$69.2 per barrel and is thus nearing its May 2015 high. WTI has already exceeded this mark – at \$63.5 per barrel it is at its highest level since December 2014. Reading the latest US Energy Information Administration (EIA) prediction of US crude oil production makes it seem virtually impossible for the price to react in this way. The headline reads as follows: “EIA says US crude output to top 11 million barrels per day in November 2019: EIA”. As if this were not enough, the 10 million barrel per day threshold is already expected to be exceeded next month. Average annual production this year is set to climb by 970,000 barrels per day (as compared with a previous forecast of +780,000 barrels per day). A further increase by 580,000 barrels per day is set to follow next year. According to the EIA director responsible, the lion’s share of the production growth will happen at the Permian Basin shale play. Selective perception is the reason why the market is completely ignoring this just now. Attention is paid only to news that tallies with the picture of rising prices. For example, the sharp decline in US crude oil stocks last week by 11.2 million barrels, as reported by the API yesterday evening. And yet this was merely a shift in stocks from crude oil to oil products. The simultaneous rise in gasoline and distillate stocks by a total of 9 million barrels was ignored. Oil prices are become increasingly detached from the fundamental data and risk overshooting.

Precious metals: Ultimately, gold was unable to completely resist the firm US dollar yesterday and dropped to around \$1,310 per troy ounce. Apart from the appreciating US currency, sharply risen bond yields were also weighing on the gold price. Yields on ten-year US Treasuries surged to a ten-month high of 2.57% p.a. Yields on ten-year German government bonds also climbed noticeably. In addition, stock markets continue to rise, the Dow Jones Industrial Average and the S&P 500 achieving new record highs. This appears to have prompted speculative financial investors to take profits after having bet heavily on rising gold prices in recent weeks. What is more, some of the inflows into gold ETFs that had been registered a day earlier were reversed again yesterday. The other precious metals were dragged down by gold: silver slid below the \$17 per troy ounce mark again and the gold/silver ratio increased slightly to 77.4. Platinum fell to \$965 per troy ounce, though it has gained some ground against gold since the beginning of the year. Palladium suffered the smallest losses, though it nonetheless dipped below the \$1,100 per troy ounce mark. Yesterday once again saw moderate outflows from palladium ETFs. Since the start of the year, holdings have already been reduced by just shy of 13,000 ounces again. Thus the trend seen in recent years appears to be continuing. That said, the exodus from palladium ETFs since the end of 2015 has done nothing to prevent the massive price rise.

CHART OF THE DAY: US crude oil production grows and grows



Source: EIA, Baker Hughes, Bloomberg, Commerzbank Research

For important disclosure information please see page 5 and 6.

research.commerzbank.com / Bloomberg: CBKR

US inventories crude oil / oil products

	API	DOE
	5.1.	29.12.
Crude oil	-11.2	-7.4
Cushing	-2.5	-2.4
Gasoline	+4.3	+4.8
Distillates	+4.7	+8.9
Utiliz. (%)		+1.0
Imports	+0.1	+0.0

Weekly change in mm barrels, imports in mbpd,

Source: Reuters, DOE, Bloomberg

Speculative market positioning (net)

05 Jan	'000 contracts	Weekly change
Aluminium	184.696	-2.791
Copper	66.856	-0.615
Nickel	25.883	-0.149
Zinc	81.211	2.742
Lead	36.386	1.153
Tin	1.309	0.161

Source: LME, Bloomberg

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Base metals: According to the country's Ministry of Trade, Indonesia exported 7,100 tons of tin in December. Though this was 11% down month-on-month, it was 17% up year-on-year. Exports in 2017 as a whole totalled 78,200 tons – a full 23% up on the previous year. As such Indonesia also exported the largest quantity of tin in four years. Exports picked up considerably from September, and have averaged a good 7,500 tons per month ever since. Indonesian exporters have clearly been taking advantage of the higher prices and exporting more tin accordingly. From mid-July to mid-October, tin almost continuously cost in excess of \$20,000 per ton. Then the price dipped significantly to below \$19,000 for a time, which was reflected in lower exports again in December. Meanwhile tin is trading back at around \$20,000 per ton. The International Tin Research Institute therefore expects Indonesian tin exports to remain at a high level this year. Indonesia is the world's largest tin exporter, and the second-largest tin producer after China.

Iron ore exports have also risen, namely at Australia's Port Hedland where they reached a record high of 46.1 million tons in December. 39.1 million tons of this total were shipped to China – likewise a record figure. The Chinese import data will be published on Friday.

Agriculturals: The International Coffee Organization (ICO) expects global coffee production to increase by 0.7% year-on-year to 158.8 million bags in 2017/18, which would constitute a new record. Arabica production is set to fall slightly to 97.3 million bags (-1.1%), mainly because of Brazil, where the crop of a low-yield year in the two-year cycle has been harvested. What is more, many beans remained too small, and a pest infestation gave cause for concern. However, production in Colombia is also likely to be somewhat lower now after having risen for years – this is because heavy rainfall caused damage during the flowering phase. It is thanks to higher crops in Honduras, India, Peru, Mexico, Ethiopia and Uganda that global Arabica production is not down even more sharply. By contrast, Robusta production looks set to increase by 3.7% to 61.5 million bags. No doubt this is above all the consequence of a higher crop in Vietnam, the largest producer of Robusta beans. The ICO expects production to climb to 28.5 million bags, putting it at roughly the level it was before it slumped in the previous year when high temperatures and drought had driven production down sharply. The ICO envisages global demand of 157.6 million bags, giving rise to a surplus of just shy of 1.2 million bags for 2017/18. After the ICO had already switched in November from predicting a deficit to a surplus for the previous season, and has again revised this figure slightly upwards, the supply situation now looks even more comfortable.

Prices

Energy 1)	current	1 day	1 week	1 month	1 year
Brent Blend	68.8	1.5%	1.9%	9.1%	29%
WTI	63.0	2.0%	2.9%	10.6%	25%
Gasoline	628.3	1.7%	3.8%	6.4%	20%
Gasoil	606.5	0.7%	0.8%	8.4%	28%
Diesel	608.4	0.9%	1.6%	7.9%	26%
Jet fuel	648.9	0.9%	1.8%	7.2%	25%
Natural gas (\$/mmBtu)	2.92	3.1%	-0.9%	7.5%	-9%
EUA (€/ton)	7.78	1.6%	-0.3%	9.4%	41%
Base metals 2)					
Aluminum	2152.5	-1.0%	-2.8%	7.7%	24%
Copper	7102	-0.3%	-0.1%	8.6%	24%
Lead	2545	-2.3%	-0.5%	4.8%	17%
Nickel	12695	1.3%	2.9%	16.6%	20%
Tin	19950	-0.3%	0.2%	2.5%	-6%
Zinc	3335	-1.5%	0.4%	8.3%	23%
Precious metals 3)					
Gold	1312.8	-0.6%	0.1%	5.3%	11%
Gold (€/oz)	1099.9	-0.3%	0.6%	4.2%	-2%
Silver	17.0	-1.0%	-0.7%	7.2%	1%
Platinum	966.0	-0.7%	0.3%	8.1%	-2%
Palladium	1101.8	0.0%	1.1%	8.8%	43%
Agriculturals 1)					
Wheat (LIFFE, €/t)	161.5	0.3%	1.9%	0.0%	-6%
Wheat CBOT	432.3	1.0%	-0.5%	10.2%	1%
Corn	349.0	0.5%	0.5%	-1.1%	-3%
Soybeans	963.8	-0.7%	-0.9%	-3.1%	-5%
Cotton	78.4	0.3%	1.1%	6.5%	7%
Sugar	14.73	0.3%	-3.5%	5.1%	-28%
Coffee Arabica	125.2	0.0%	-3.9%	2.1%	-13%
Cocoa (ICE NY)	1899	-0.8%	-1.9%	0.6%	-13%
Currencies 3)					
EUR/USD	1.1937	-0.3%	-0.6%	1.5%	13%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	424463	-	-1.7%	-6.5%	-13%
Gasoline	233187	-	2.1%	8.9%	3%
Distillates	138834	-	6.9%	8.7%	-8%
Ethanol	22619	-	2.7%	2.6%	21%
Crude oil Cushing	48973	-	-4.8%	-16.0%	-26%
Natural gas	3126	-	-6.2%	-15.4%	-7%
Gasoil (ARA)	2311	-	6.8%	12.2%	-11%
Gasoline (ARA)	861	-	0.8%	-2.4%	-16%
Base metals **					
Aluminum LME	1090525	-0.2%	-1.0%	-0.4%	-51%
Shanghai	766210	-	1.6%	9.1%	633%
Copper LME	203750	0.0%	1.8%	4.4%	-31%
COMEX	211808	0.0%	0.3%	1.4%	131%
Shanghai	160441	-	6.6%	-5.1%	-6%
Lead LME	143450	-0.4%	1.0%	-1.3%	-26%
Nickel LME	365868	-0.3%	-0.1%	-2.9%	-2%
Tin LME	2260	-3.2%	-1.1%	-2.8%	-41%
Zinc LME	180225	0.0%	-0.3%	-10.4%	-58%
Shanghai	77383	-	12.8%	10.1%	-51%
Precious metals ***					
Gold	71621	-0.1%	0.2%	-0.2%	12%
Silver	653550	0.0%	-0.3%	0.0%	0%
Platinum	2474	0.0%	0.0%	1.1%	4%
Palladium	1320	-0.4%	-0.6%	-1.6%	-23%

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

Percentage change on previous period

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

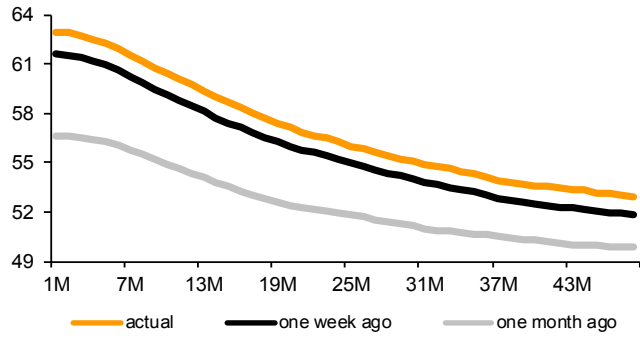
Crude oil in USD per barrel, oil products, base metals and cocoa in USD per ton, Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel, Cotton, sugar and coffee Arabica in US cents per pound

* 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

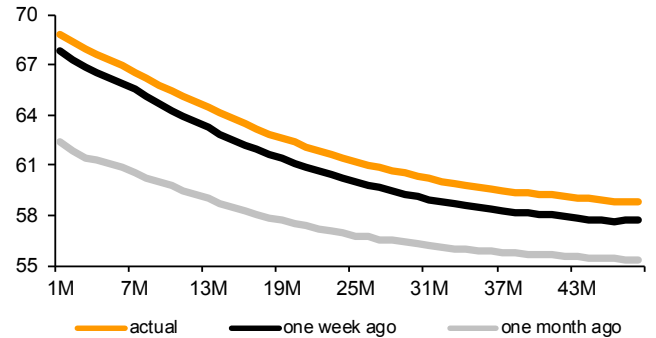
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



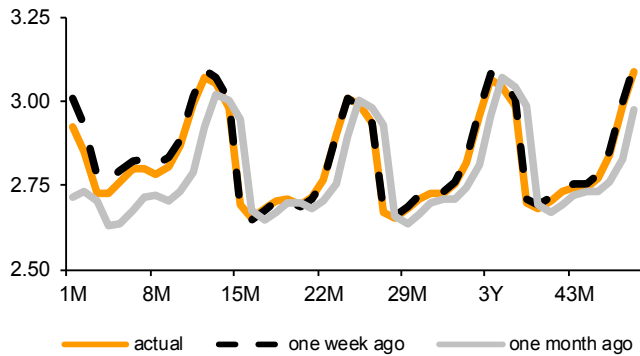
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



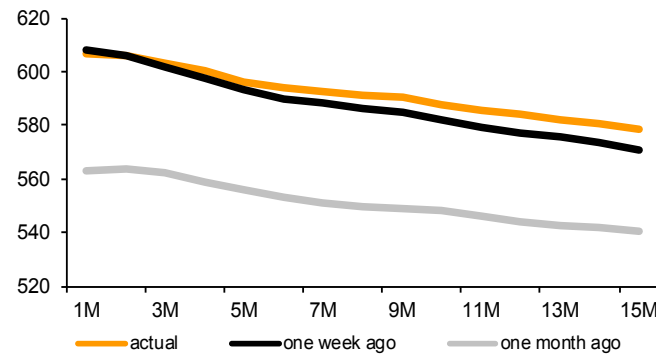
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



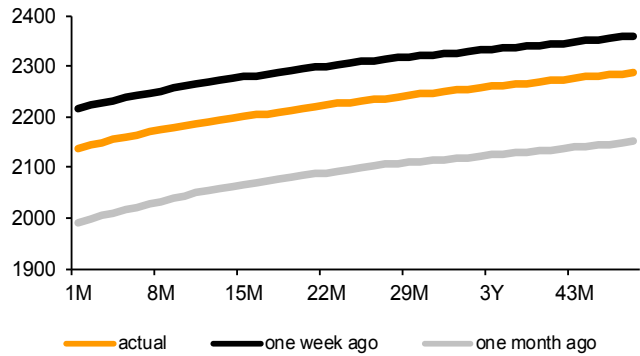
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



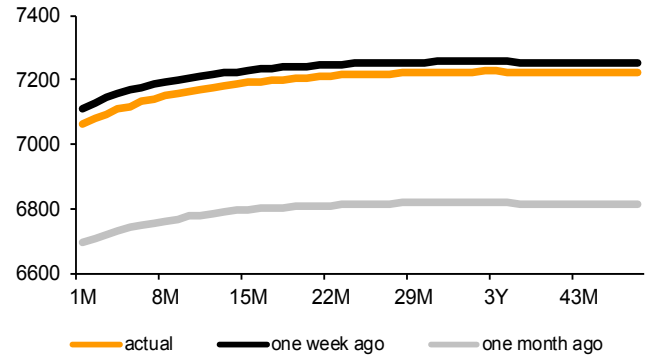
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



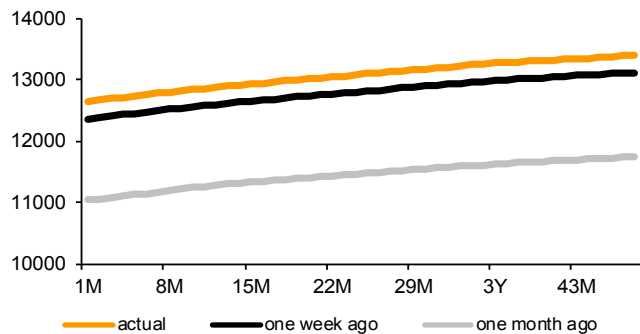
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



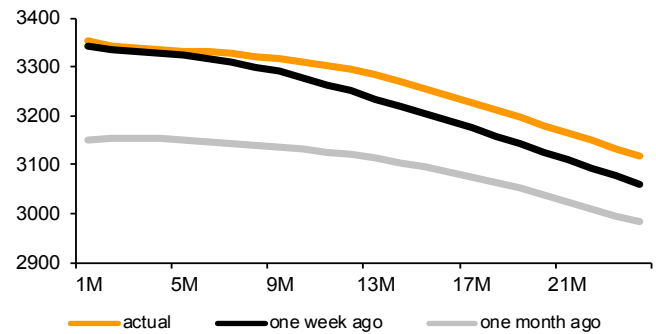
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



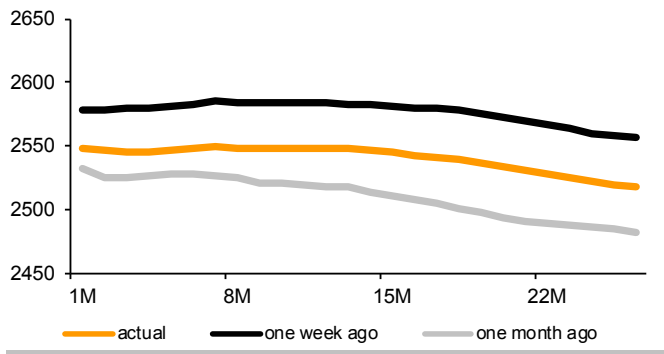
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



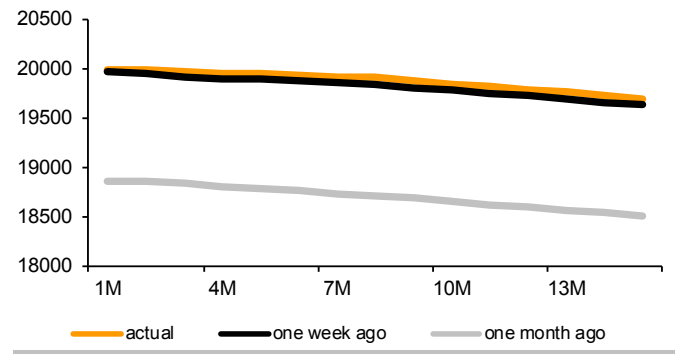
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



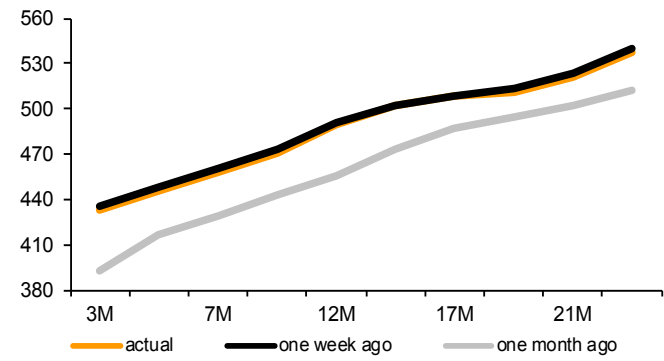
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



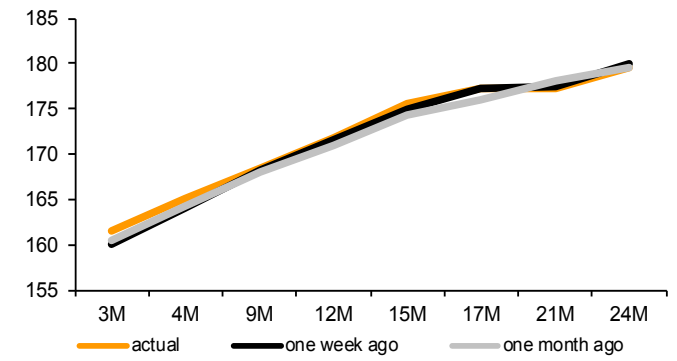
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



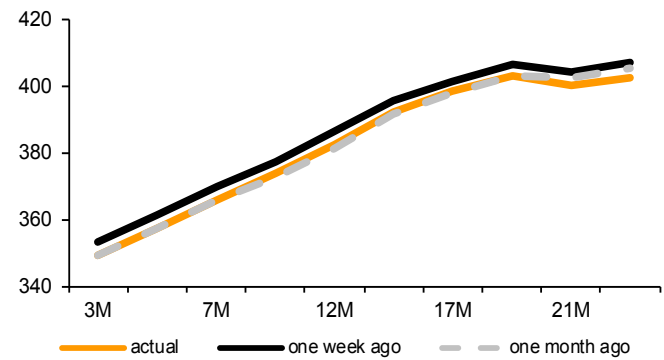
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



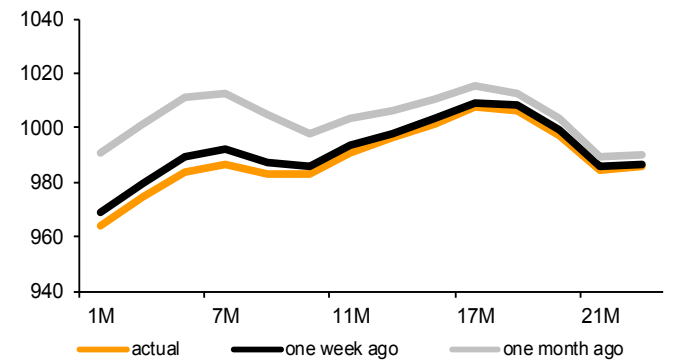
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



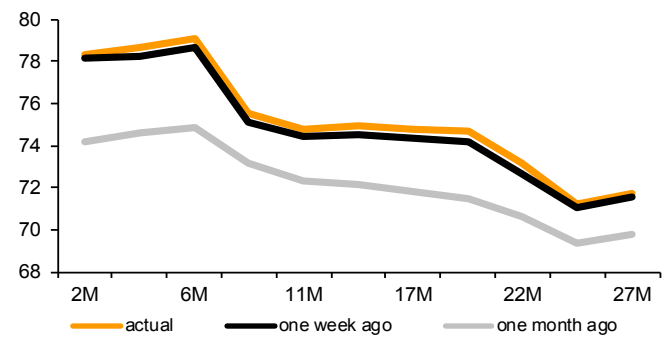
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



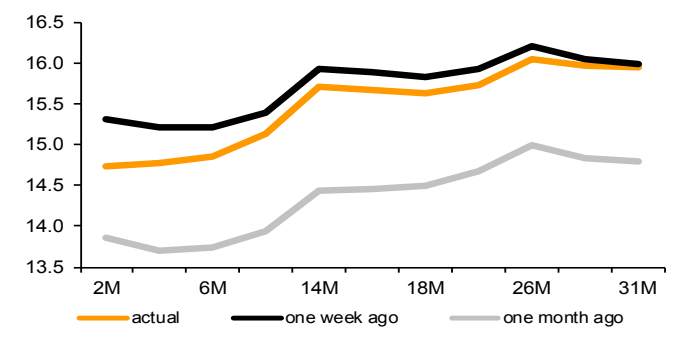
Source: CBOT; Bloomberg, Commerzbank Research

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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