

# Commodities Daily

23 November 2016

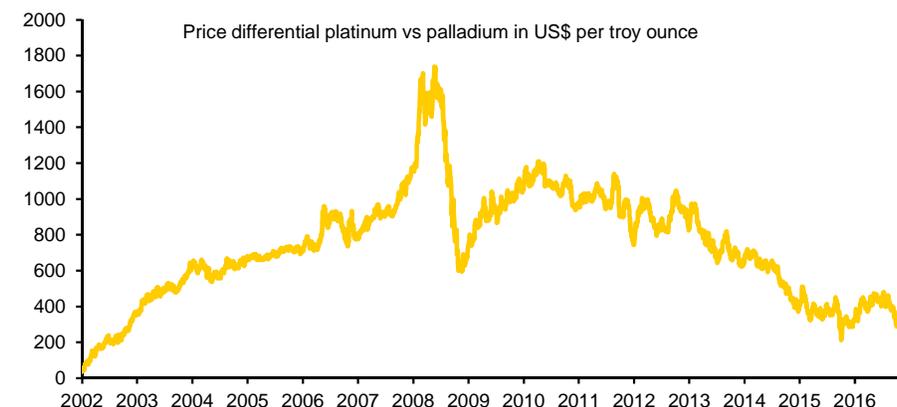
## Palladium price at 17-month high

**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.

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### 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

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**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%
<b>Base metals 2)</b>					
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%
<b>Precious metals 3)</b>					
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%
<b>Agriculturals 1)</b>					
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%
<b>Currencies 3)</b>					
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%
<b>Base metals **</b>					
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%
<b>Precious metals ***</b>					
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

<sup>1)</sup> 1 month forward, <sup>2)</sup> 3 months forward, <sup>3)</sup> 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,

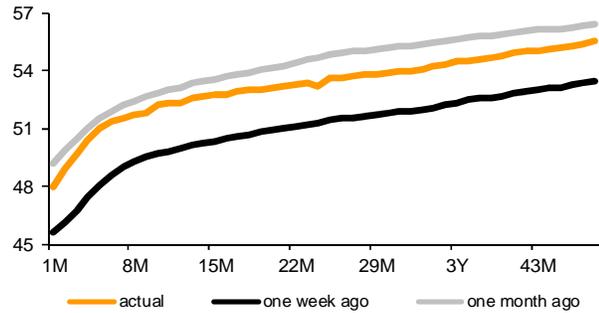
Cotton, sugar and coffee Arabica in US cents per pound

\* 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

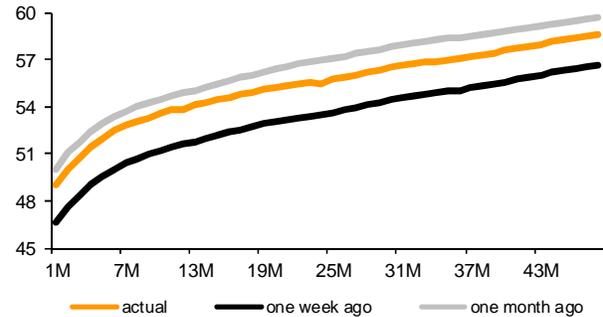
\*\* tons, \*\*\* ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



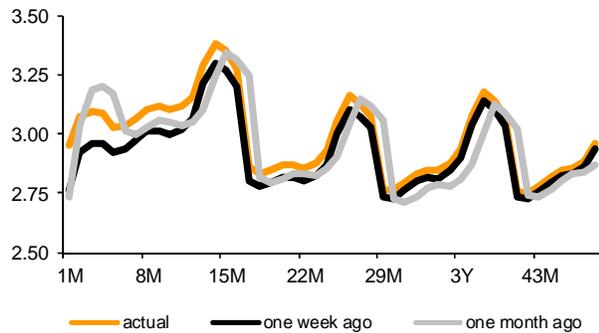
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



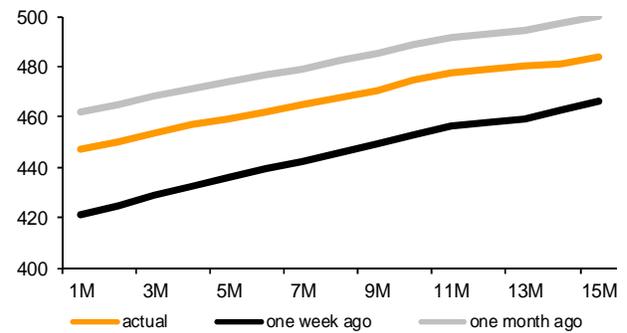
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



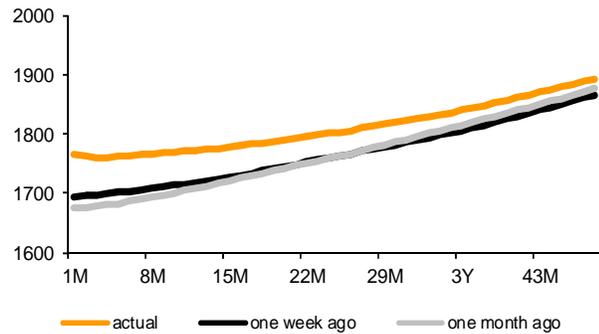
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



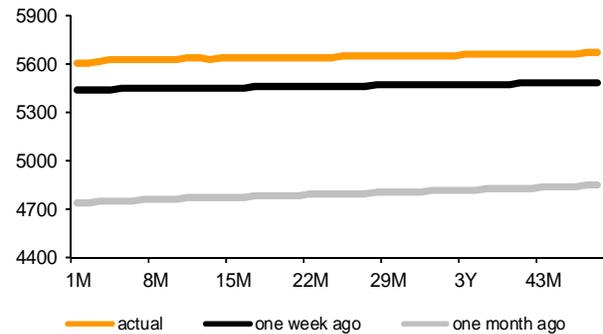
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



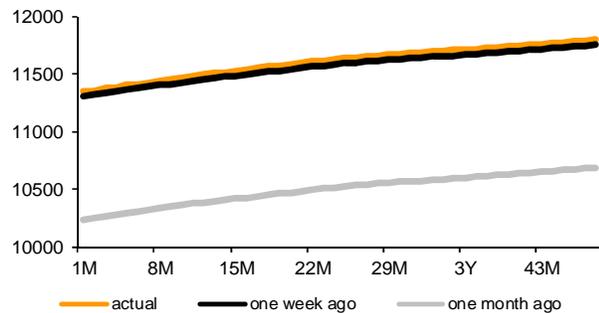
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



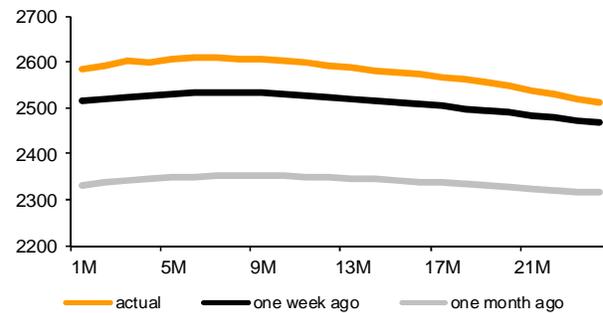
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



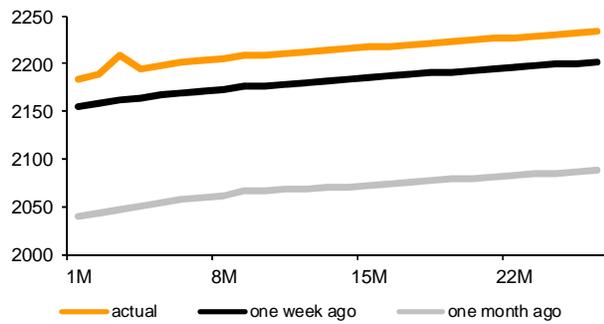
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



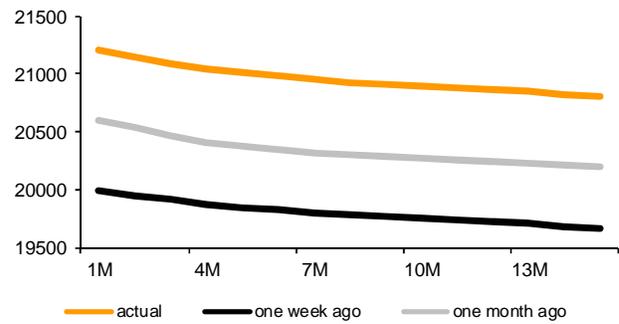
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



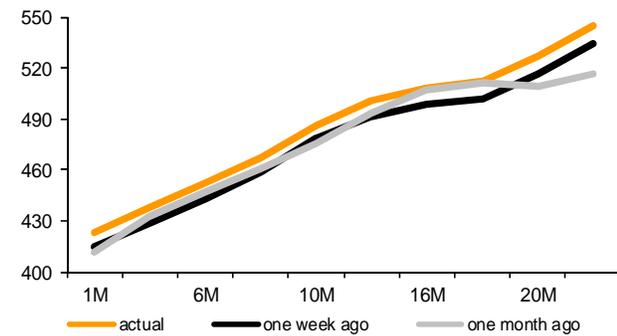
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



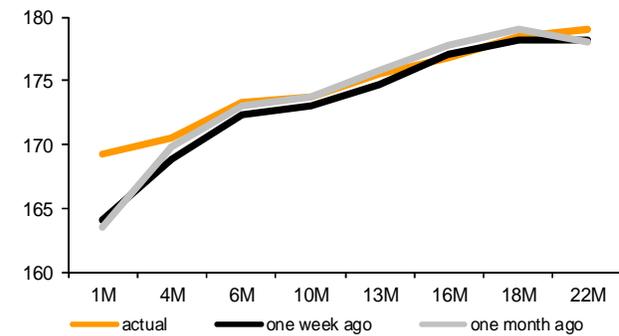
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



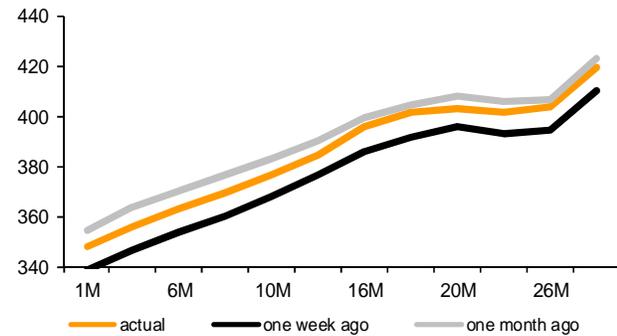
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



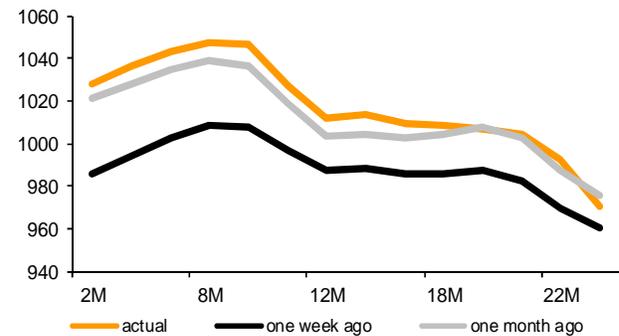
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



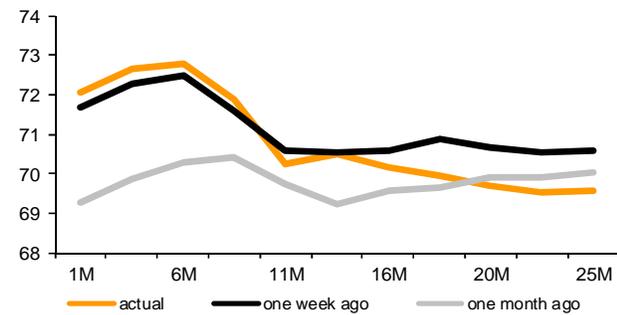
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



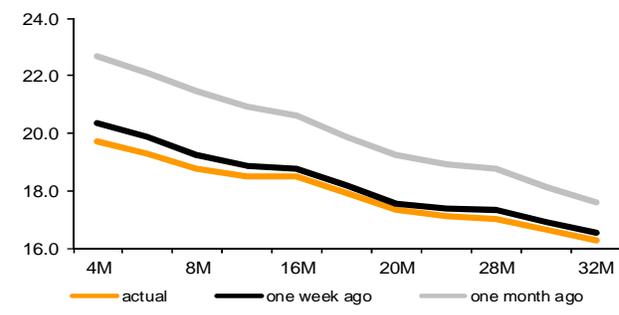
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve cotton (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve sugar (NYBOT)



Source: NYBOT; Bloomberg, Commerzbank Research

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