

Commodities Daily

05 September 2017

Gold remains in demand as safe haven

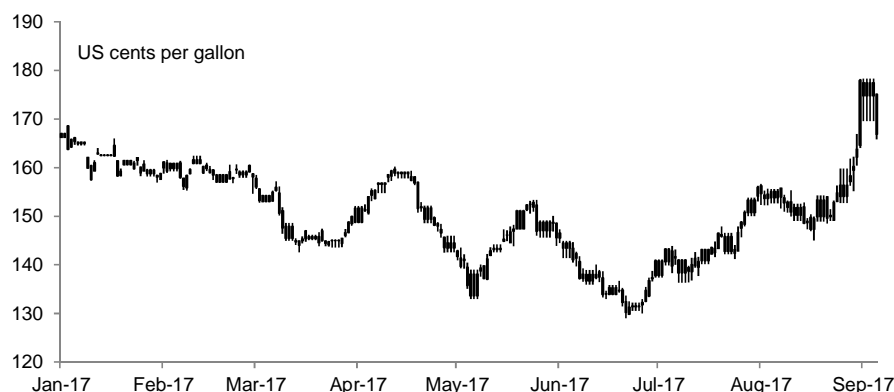
Energy: The October future for US gasoline, which had climbed sharply as a result of the hurricane, is gradually coming under pressure now and is trading back below \$1.7 per gallon. The previous price rise had also been driven largely by speculation, net long positions in gasoline on the NYMEX having already been increased to their highest level since February as per 29 August. Refineries are now going back into operation relatively quickly. As of yesterday, refinery capacities of only 2.1 million barrels per day – i.e. 11.4% of all capacities – were still closed. Oil product shipments from abroad should also ease the short-term shortage. Furthermore, it is important to remember that Labor Day yesterday marked the end of the summer driving season in the US, so the market focus is likely to move away from gasoline again. Generally speaking, little attention should be paid in the next few weeks to reports of crude and oil product stocks and trade given the numerous short-term disruptions.

Saudi Arabia has raised the prices of its light oil types for shipment in October. The most-regarded premiums for Arab Light shipments to Asia were increased to \$0.3 per barrel as compared with the (Oman/Dubai) benchmark, putting them at their highest level since December. This points to ongoing robust oil demand and partly explains the price differential between Brent and WTI. Another explanation is the different approaches followed by investors: while they slashed their net long positions in WTI in half in August, they increased their net longs in Brent on the ICE by over 40% in the same period.

Precious metals: Gold is still in demand as a safe haven. It remains close to the eleven-month high it achieved yesterday because newspaper reports are claiming that there are signs that North Korea is preparing to launch an intercontinental missile. It is thought that the missile may be fired before the country celebrates its Foundation of the State Day on 9 September. This further raises geopolitical tensions in the region. Gold could also fluctuate in response to US domestic politics over the next few weeks, as US Congress will be ending its summer recess today. A new spending deal has to be decided by the end of the month in order to avoid the closure of government institutions. The debt ceiling will also have to be raised to avert US insolvency. In addition, the aim is to draw up the tax reform by the end of the year. If there are signs of agreement being reached on any of these points in the near future, this could weigh on the gold price as the US dollar would then doubtless appreciate.

Palladium came close to the \$1,000 per troy ounce mark yesterday but then rebounded from it and is trading at around \$980 this morning. In our opinion it is only a question of time before it exceeds this psychologically important threshold, which could spark technical follow-up buying. We see no justification for this price level from a fundamental viewpoint, however.

CHART OF THE DAY: US gasoline price on the retreat again



Source: Bloomberg, Commerzbank Research

For important disclosure information please see page 5.

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Speculative market positioning (net); '000 contracts

	29-Aug	Weekly change
WTI (NYMEX)	138.559	-113.736
Brent (ICE)	430.824	-0.763
Gasoline (NYMEX)	48.635	12.121
Gasoil (ICE)	128.473	3.091

Open interest (futures); '000 contracts

	29-Aug	Weekly change
WTI (NYMEX)	2247.058	10.081
Brent (ICE)	2300.658	-36.215
Gasoline (NYMEX)	406.378	-9.932
Gasoil (ICE)	927.333	22.168

Source: ICE, CFTC, Bloomberg

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Base metals: After having recently introduced trade restrictions on steel and zinc futures in a bid to curb speculation, the operator of the SHFE is now reducing the transaction fees for nickel and tin. Fees for day traders in nickel are even being abolished entirely, with the exception of the January, May and September contracts. The changes will come into effect from 7 September. The exchange operator claims that this step will increase liquidity in contracts that are hardly traded at all. In our view, however, this also throws the door wide open to speculators. The most-active nickel future (January contract) on the SHFE has already surged by 32% since mid-July, whereas the most-active tin future (likewise the January contract) has remained virtually unchanged. In the last few days the tin price on the LME has moved somewhat away from the 200-day moving average – around which it has been trading in recent months – and is nearing the \$21,000 per ton mark. All the same, tin has chalked up losses of 2% since the start of the year, meaning that it has significantly bucked the trend, as the other base metals have achieved gains of between 19% and 25%. According to data from the customs authorities, China was already a net exporter of tin in July for the second time this year, though the export volume was relatively small. However, if this were to become a trend, China could become a tin supplier on the world market in future. Indonesian tin exports have also picked up again noticeably of late.

Agriculturals: The rapeseed price in Paris has been fluctuating around the €370 per ton mark since early July. A year ago, the price had risen from this level to over €420 per ton right into February, but then fell sharply again. Last year it was not least the weak EU crop that had pointed to another deficit on the global rapeseed market in 2016/17, and the rapeseed price was able to outstrip the soybean price for a while. Now the 2017/18 crop in the EU is much better again, albeit not in Germany. According to the European Commission, it will total 21.9 million tons after a figure of 19.7 million tons was achieved last year, putting it roughly at the same level as in 2015/16. Strategie Grains is now somewhat more cautious, predicting 21.7 million tons. Production in Canada was also expected to grow in 2017/18: in August the US Department of Agriculture was still estimating it at 20.5 million tons, despite a slight downward revision, which would put it 2 million tons above 2016/17. In response to disappointing yield estimates, the Canadian agency StatsCan recently forecast a figure of just 18.2 million tons. At the same time, it significantly raised its figure for 2016/17 – as compared with its last publication – to 19.6 million tons. This would mean a smaller crop than last time despite a larger acreage. In other words, it looks as if the global rapeseed market may slide significantly into deficit again. This is likely to support the price, though the potential for price rises is limited against the backdrop of record-high soybean crops.

Prices

Energy 1)	current	1 day	1 week	1 month	2017
Brent Blend	52.3	-0.8%	0.3%	-0.5%	-8%
WTI	47.3	0.1%	2.0%	-4.2%	-12%
Gasoline	593.5	-2.5%	11.1%	8.5%	11%
Gasoil	503.3	-1.2%	3.5%	2.6%	-1%
Diesel	503.4	-1.2%	5.0%	3.2%	0%
Jet fuel	476.8	-0.3%	0.6%	-0.6%	-5%
Natural gas (\$/mmBtu)	3.07	1.0%	3.5%	9.2%	-19%
EUA (€/ton)	5.92	1.5%	-0.8%	12.0%	-9%
Base metals 2)					
Aluminum	2119.5	-0.8%	1.0%	10.7%	25%
Copper	6917	1.2%	2.2%	8.9%	25%
Lead	2392.5	-0.1%	0.5%	1.3%	19%
Nickel	12250	1.8%	4.1%	19.0%	22%
Tin	20790	0.8%	1.8%	1.0%	-2%
Zinc	3205	0.6%	2.7%	13.6%	24%
Precious metals 3)					
Gold	1332.4	0.6%	1.7%	5.8%	16%
Gold (€/oz)	1120.7	0.3%	2.5%	5.1%	3%
Silver	17.9	1.2%	2.4%	9.5%	12%
Platinum	1008.8	0.1%	0.7%	3.9%	11%
Palladium	978.3	-0.4%	3.7%	11.5%	44%
Agriculturals 1)					
Wheat (LIFFE, €/t)	160.5	0.0%	1.4%	-5.0%	-4%
Wheat CBOT	438.8	1.0%	2.9%	-2.7%	11%
Corn	340.0	-0.7%	0.7%	-6.6%	8%
Soybeans	949.5	0.4%	2.5%	-0.1%	0%
Cotton	71.9	1.3%	2.9%	2.6%	3%
Sugar	13.75	-0.1%	-4.0%	-2.8%	-30%
Coffee Arabica	129.1	0.0%	-1.8%	-7.9%	-6%
Cocoa (ICE NY)	1947	0.0%	-2.5%	-3.7%	-8%
Currencies 3)					
EUR/USD	1.1896	0.3%	-0.8%	0.7%	13%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	457773	-	-1.2%	-5.3%	-7%
Gasoline	229937	-	0.0%	-0.1%	-1%
Distillates	149163	-	0.5%	-0.3%	-3%
Ethanol	21303	-	-1.0%	-1.1%	2%
Crude oil Cushing	57233	-	1.2%	2.5%	-12%
Natural gas	3155	-	1.0%	5.9%	-6%
Gasoil (ARA)	2733	-	-0.4%	-3.0%	-14%
Gasoline (ARA)	903	-	2.9%	4.5%	-15%
Base metals **					
Aluminum LME	1324475	0.0%	0.0%	-0.5%	-40%
Shanghai	503930	-	2.9%	10.4%	329%
Copper LME	217550	-1.5%	-6.6%	-27.1%	-34%
COMEX	182925	0.6%	1.4%	6.4%	172%
Shanghai	183582	-	-2.1%	2.7%	20%
Lead LME	154775	4.4%	4.1%	2.5%	-17%
Nickel LME	385392	-0.5%	-0.8%	3.3%	5%
Tin LME	1910	0.0%	-3.3%	-5.9%	-57%
Zinc LME	243250	-0.2%	-1.2%	-7.9%	-46%
Shanghai	78222	-	11.1%	-0.1%	-58%
Precious metals ***					
Gold	68151	0.0%	1.0%	2.9%	0%
Silver	663204	0.0%	-0.2%	-1.5%	0%
Platinum	2438	0.0%	-1.8%	-2.9%	7%
Palladium	1565	0.0%	-0.2%	5.1%	-25%

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

Percentage change on previous period

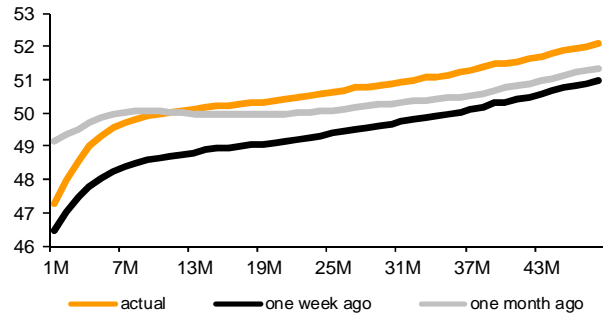
¹ 1 month forward, ² 3 months forward, ³ spot

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

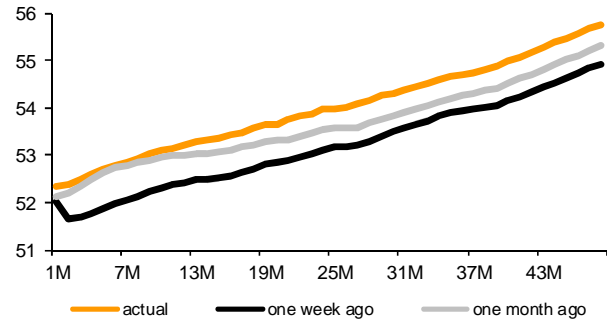
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



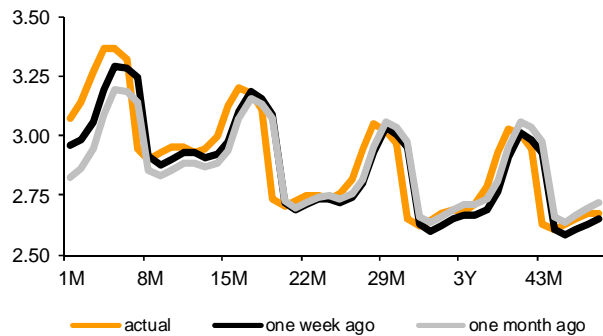
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



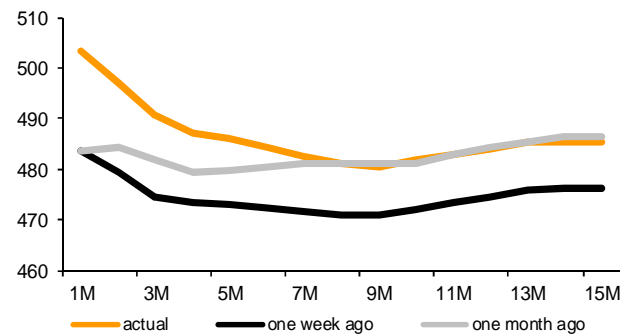
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



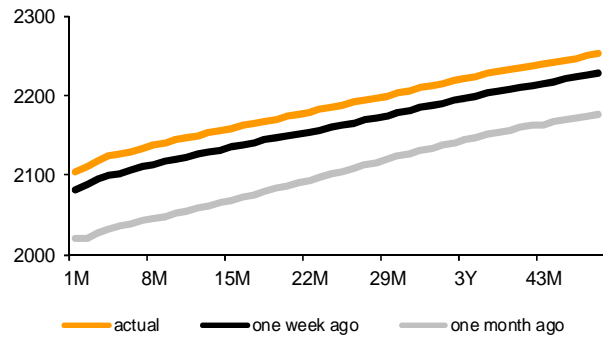
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



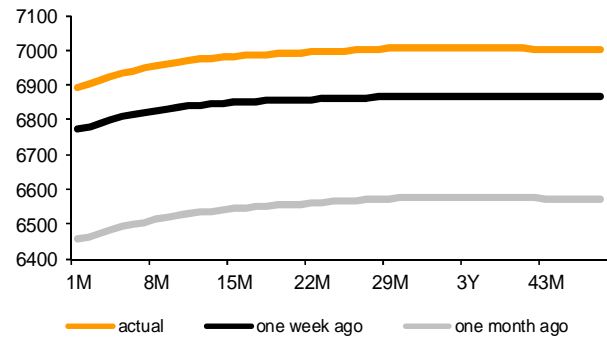
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



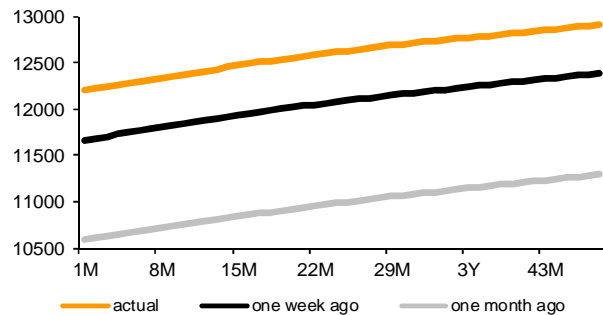
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



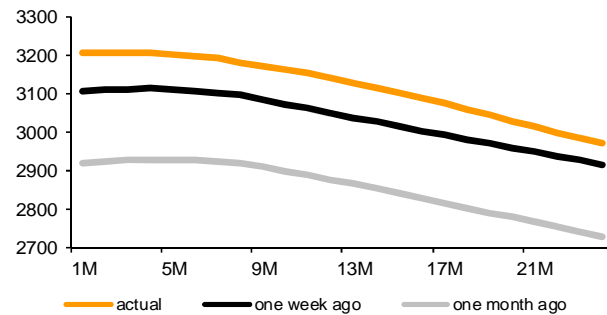
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



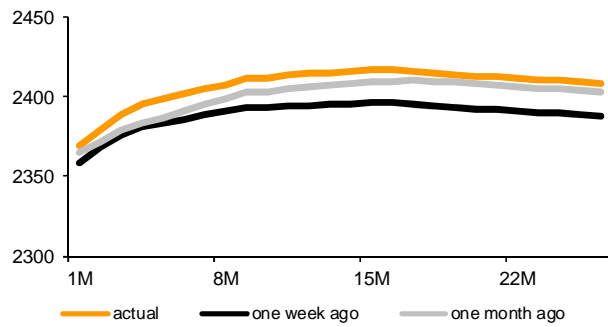
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



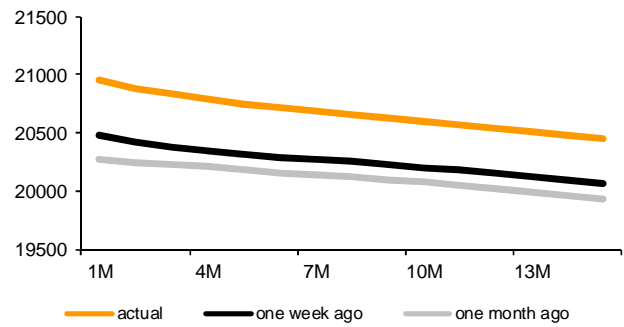
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



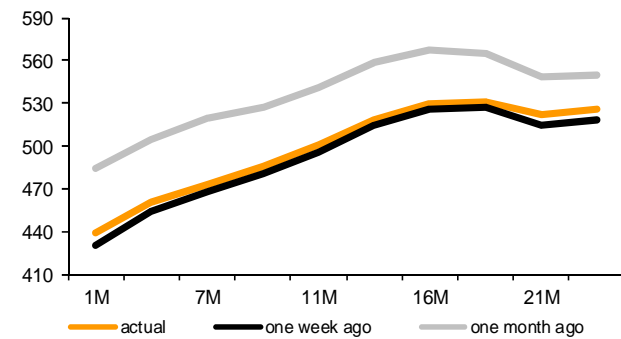
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



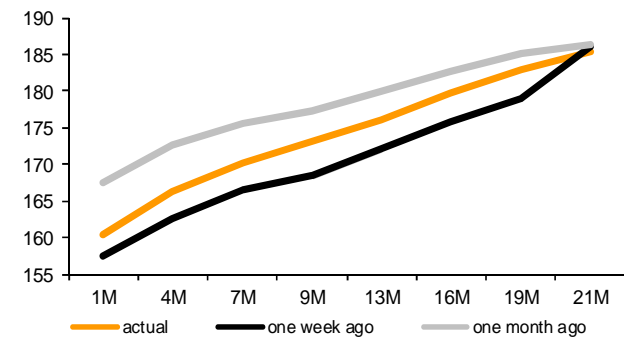
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



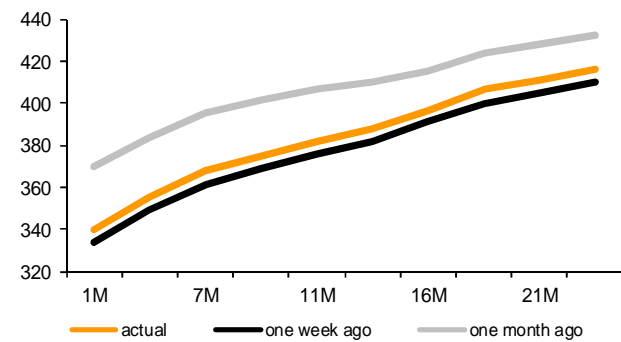
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



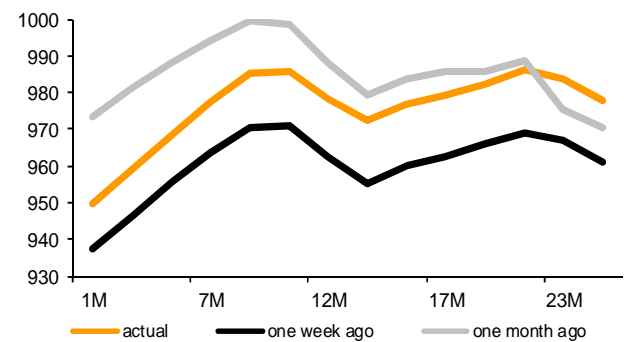
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



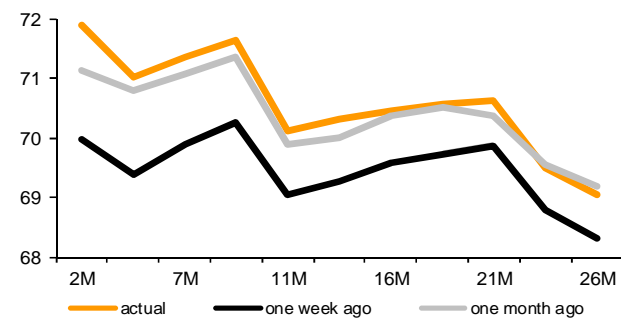
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



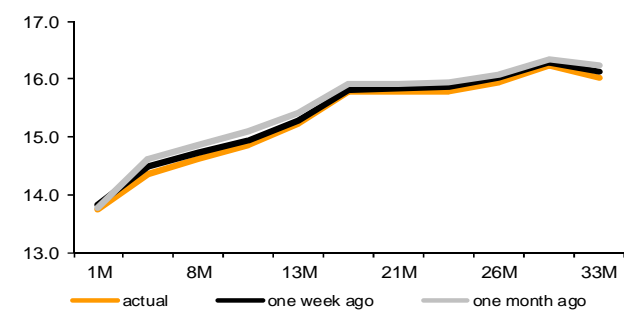
Source: CBOT; Bloomberg, Commerzbank Research

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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