

Commodities Daily

18 September 2017

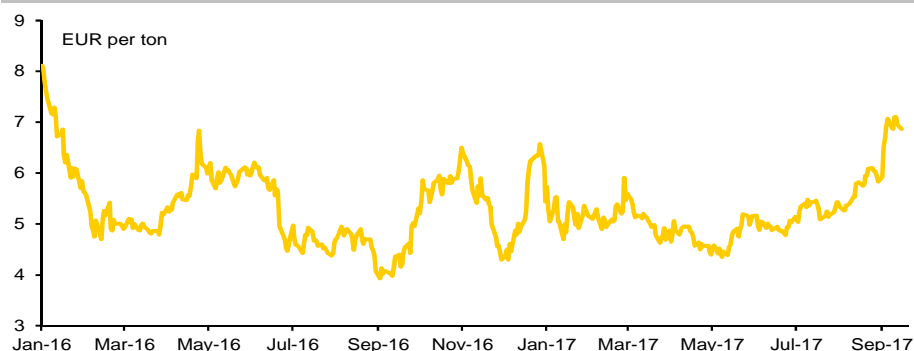
Gold in correction mode

Energy: This morning sees Brent trading at \$55.7 per barrel and WTI at a good \$50 per barrel, putting both close to the multi-month highs they reached last week. Speculative financial investors reduced their net long positions in WTI by 15,600 contracts in the week to 12 September. Because most of the latest price rise only happened after this, it is not yet reflected in the data. Baker Hughes reported that the US oil rig count had decreased by seven last week. Drilling for (shale) oil is doubtless more lucrative again at the current WTI price level of over \$50, however.

The carbon price climbed on Thursday to a 20-month high of over €7.70 per ton, thus soaring by over 50% in the space of less than three months, before dipping back below €7 on Friday. We have published a "Commodity Spotlight" on this topic. The good EU economy and the prospect of far-reaching reforms aimed at reducing the oversupply of emission allowances are lending tailwind. However, given the ample auction supply – which this year is likely to be a third higher than last year – prices have risen by too much and too quickly. We therefore expect prices to correct and then settle down at a higher level. We are also confident that carbon prices will increase long-term because they depend first and foremost on political decisions taken in Brussels. As a result of rising coal and carbon prices, 2018 electricity prices (Phelix baseload) on the EEX have climbed above €36/MWh for the first time since February 2014 despite the price-dampening effect of renewable energies. That said, they are also likely to fall again in the near future.

Precious metals: Gold has dropped to a 2½-week low of \$1,315 per troy ounce this morning amid increased risk appetite among market participants. Gold in euro terms is trading at only around €1,100 per troy ounce. The Dow Jones Industrial Average and S&P 500 indices in the US had both climbed to new record highs on Friday. The rise in stock markets is continuing in the Asian region today. What is more, bond yields in the US have increased significantly of late, which makes gold less attractive as an alternative investment. Presumably this is also why Friday saw the second consecutive daily outflow from gold ETFs. Portugal's credit rating was upgraded on Friday evening by the ratings agency S&P, achieving an investment grade rating again for the first time since January 2012. Ireland was also upgraded, this time by the ratings agency Moody's. Wednesday could see further volatility on the gold market, as this is when the US Federal Reserve meeting will take place. If the market's currently low rate hike expectations increase as a result of the meeting, this is likely to weigh on the gold price. According to the CFTC's statistics, speculative financial investors further expanded their net long positions in gold in the week to 12 September, putting them at 253,500 contracts now. This was already the ninth weekly increase in a row. The price rise to a 13-month high of just shy of \$1,360 was thus driven largely by speculation. Given that the gold price is now trading considerably lower, positions have presumably been squared in the meantime.

CHART OF THE DAY: Carbon price up significantly of late



Source: Bloomberg, Commerzbank Research

For important disclosure information please see page 6.

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Speculative market positioning (net)

12-Sep	'000 contracts	Weekly change
WTI	154.078	-15.597
Henry Hub	125.197	13.410
Gasoline	67.700	3.025
Gold	253.517	16.329
Silver	76.066	13.888
Platinum	25.128	2.049
Palladium	23.614	-1.711
Copper	121.201	-4.171
Wheat	-76.704	2.981
Corn	-116.344	-12.446
Soybeans	-7.246	5.283
Cotton	75.273	15.398
Coffee	-31.781	0.726
Cocoa	-48.436	1.434
Sugar	-91.643	24.575

Source: CFTC, Bloomberg

Number of active US oil and gas rigs

15-Sep	Rig count	weekly change
USA total	936	-8
Oil	749	-7
Gas	186	-1
Horizontal	795	2
Vertical	67	-8
Directional	74	-2

Source: Baker Hughes, Bloomberg

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Base metals: Supported by rising Asian stock markets, metals prices are gaining across the board as the new week gets underway. Copper is trading well above \$6,500 per ton again after having dipped temporarily below this threshold on Friday on the back of weak US economic data: although industrial production fell surprisingly sharply in August, the figures were distorted by Hurricane Harvey. The pronounced inventory build on the LME also weighed on prices last week. LME copper stocks were topped up by a good 91,000 tons or 43% to 304,000 tons last week, almost entirely negating the inventory reduction that had been seen since mid-July. The inventory build took place mainly in Rotterdam and various Asian LME warehouses. As the National Bureau of Statistics reported this morning, China produced 749,000 tons of refined copper in August, somewhat more than last August. Chinese copper production in the first eight months of the year was 3.5% up on the same period last year. This is the result of smelting capacities in the country having been expanded. Consequently, recent months have seen China importing more copper concentrate to be turned into refined copper there. By contrast, figures from the National Bureau of Statistics show that refined zinc production decreased by 4.6% year-on-year to 494,000 tons in August. That said, it was 3.8% up on the very weak previous month, which could point to a better availability of zinc concentrate again.

Agriculturals: The Arabica coffee price has gained by over 10% in the past ten days and closed at 141.4 US cents per pound on Friday. That said, it had fallen sharply from an even higher level in August after rainfall reduced concerns about damage caused by the preceding long dry spell in Brazil, the leading coffee producing country. Now, however, there is growing consensus that the rainfall was not nearly sufficient to ensure a lastingly good flowering phase. The blooms on many of the trees that have blossomed early because of the rainfall could shrivel up due to a lack of moisture rather than growing into coffee cherries. This would reduce the potential for the coming crop, which is actually a high yield year crop in the two-year cycle and should really be significantly better than the one that has just ended. There were hopes for a record-high crop of 60 million bags. That said, there is not even any reliable information as yet about the size of the current crop, which already counts towards the international 2017/18 season that begins in October. The flowering period for the 2018/19 crop is not over yet, however, so rainfall could still improve the situation. Yet there is growing scepticism about whether the rains will actually come: Thursday saw the US weather authority NOAA raise the probability of a La Niña climate phenomenon during the autumn and winter months from 25-30% to 55-60%. This is often accompanied by increased drought in key Brazilian growing areas.

Prices

Energy 1)	current	1 day	1 week	1 month	2017
Brent Blend	55.6	0.3%	3.4%	5.6%	-2%
WTI	49.9	0.0%	4.2%	3.3%	-7%
Gasoline	577.8	0.7%	-0.6%	9.2%	8%
Gasoil	534.8	0.7%	3.3%	12.9%	6%
Diesel	535.3	0.8%	2.2%	13.8%	6%
Jet fuel	502.8	-0.1%	2.6%	8.3%	0%
Natural gas (\$/mmBtu)	3.02	-1.5%	4.0%	6.0%	-18%
EUA (€/ton)	6.95	-2.1%	-0.3%	17.9%	4%
Base metals 2)					
Aluminum	2086	-0.6%	-1.3%	1.5%	24%
Copper	6507	0.1%	-2.7%	1.2%	19%
Lead	2359	2.3%	5.4%	1.7%	19%
Nickel	11090	-1.1%	-4.9%	1.9%	12%
Tin	20540	0.0%	-0.6%	2.0%	-2%
Zinc	3031	0.8%	-0.2%	-1.5%	19%
Precious metals 3)					
Gold	1320.2	-0.7%	-1.1%	2.3%	14%
Gold (€/oz)	1104.9	-1.0%	-0.9%	0.8%	1%
Silver	17.6	-1.2%	-1.5%	3.3%	10%
Platinum	969.3	-1.6%	-2.5%	-1.1%	7%
Palladium	924.0	-0.2%	-0.1%	1.2%	37%
Agriculturals 1)					
Wheat (LIFFE, €/t)	163.3	0.0%	2.4%	0.0%	-3%
Wheat CBOT	449.0	1.4%	1.3%	1.2%	11%
Corn	354.8	0.1%	0.2%	-2.9%	5%
Soybeans	968.8	-0.7%	2.4%	3.8%	1%
Cotton	69.1	-0.1%	-7.4%	2.6%	-2%
Sugar	15.17	-0.1%	2.1%	13.0%	-22%
Coffee Arabica	141.4	2.7%	8.2%	4.3%	3%
Cocoa (ICE NY)	2009	1.8%	3.9%	7.7%	-6%
Currencies 3)					
EUR/USD	1.1945	0.2%	-0.2%	1.4%	13%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	468241	-	1.3%	-1.5%	-3%
Gasoline	218310	-	-3.7%	-5.5%	-4%
Distillates	144552	-	-2.2%	-2.1%	-9%
Ethanol	21132	-	0.1%	-1.0%	2%
Crude oil Cushing	59053	-	1.8%	4.8%	-7%
Natural gas	3311	-	2.8%	9.3%	-4%
Gasoil (ARA)	2634	-	-3.9%	0.8%	-24%
Gasoline (ARA)	833	-	-4.8%	-7.0%	-13%
Base metals **					
Aluminum LME	1310800	-0.2%	-0.7%	1.8%	-40%
Shanghai	535630	-	3.6%	13.2%	352%
Copper LME	302925	-0.5%	45.3%	11.6%	-13%
COMEX	191313	0.4%	2.0%	7.5%	173%
Shanghai	166747	-	-3.5%	-19.8%	22%
Lead LME	162900	-0.1%	-0.7%	10.0%	-13%
Nickel LME	383472	-0.2%	0.2%	-0.4%	4%
Tin LME	1930	-1.3%	1.8%	-0.8%	-50%
Zinc LME	262100	-0.6%	9.0%	5.7%	-41%
Shanghai	69663	-	-5.9%	-3.3%	-62%
Precious metals ***					
Gold	68714	-0.1%	0.3%	3.2%	0%
Silver	653722	0.0%	-0.6%	-1.9%	-3%
Platinum	2418	-0.1%	-0.6%	-2.9%	7%
Palladium	1573	-0.4%	0.4%	-0.1%	-24%

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

Percentage change on previous period

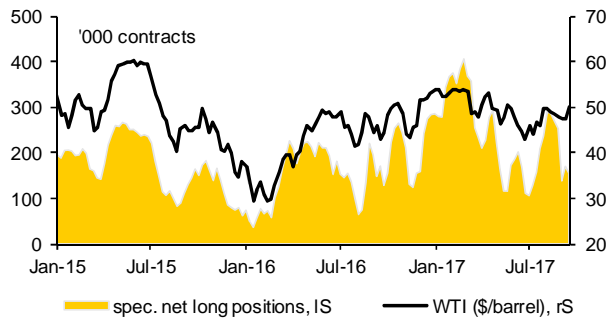
¹⁾ 1 month forward, ²⁾ 3 months forward, ³⁾ spot

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

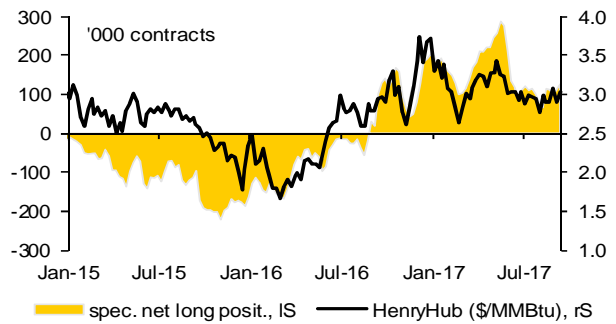
Net long positions of money managers vs. price

GRAPH 1: Crude oil (WTI)



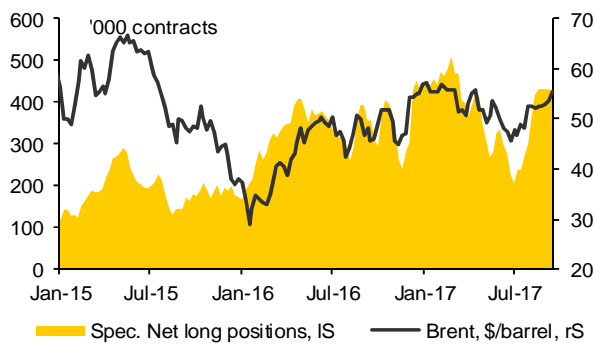
Source: CFTC; Bloomberg, Commerzbank Research

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



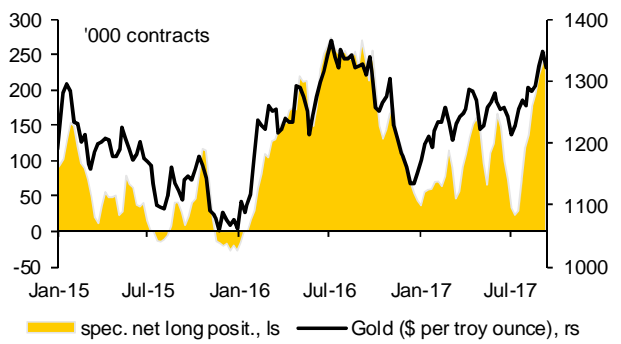
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 3: Crude oil (Brent)



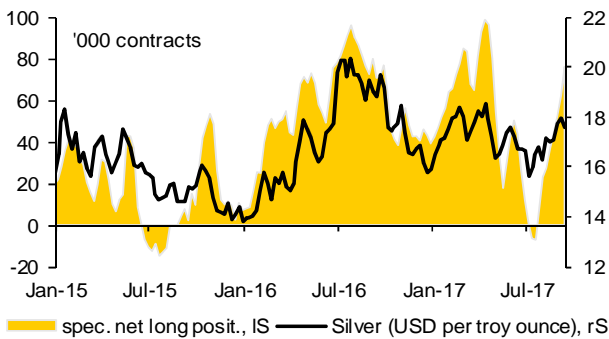
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 4: Gold



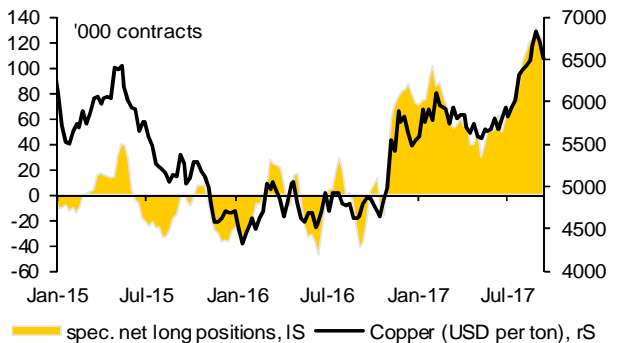
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 5: Silver



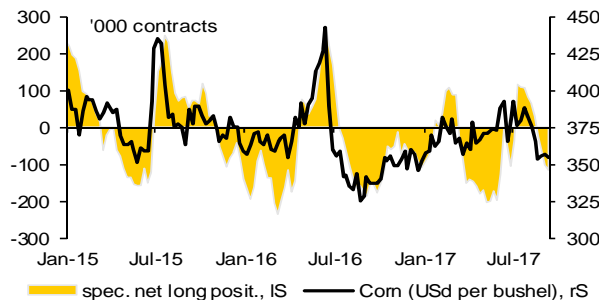
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 6: Copper



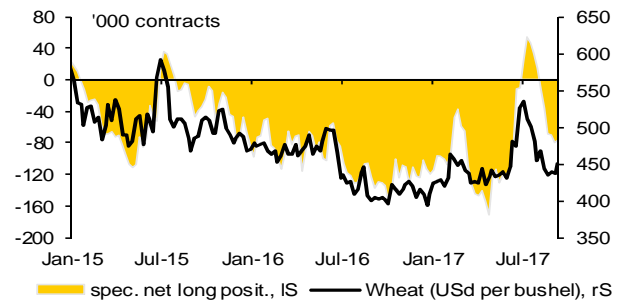
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 7: Corn



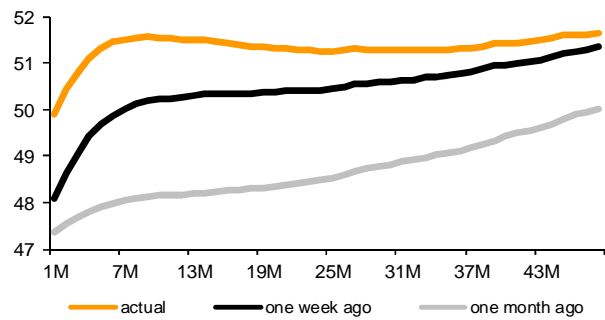
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 8: Wheat



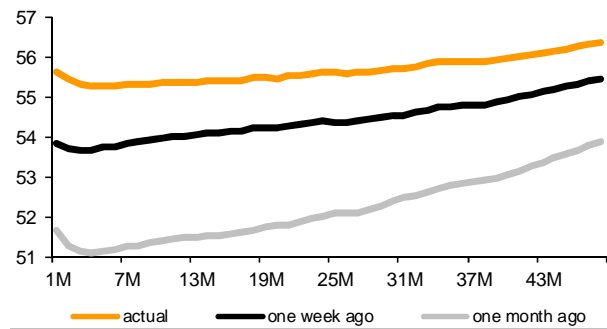
Source: CFTC; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve oil market (WTI)



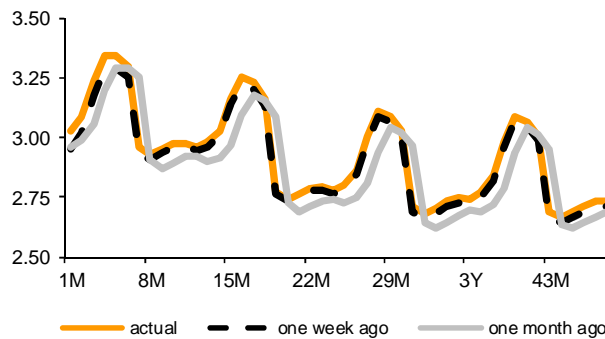
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve oil market (Brent)



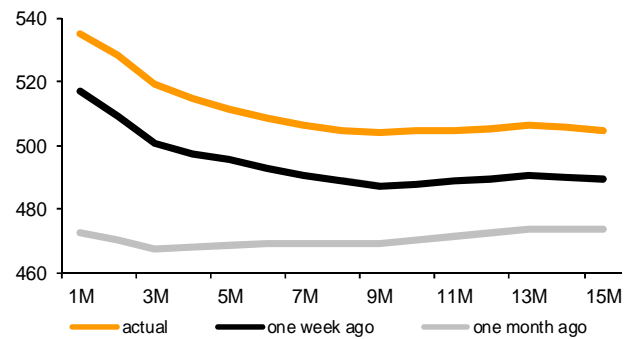
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve gas market (Henry Hub)



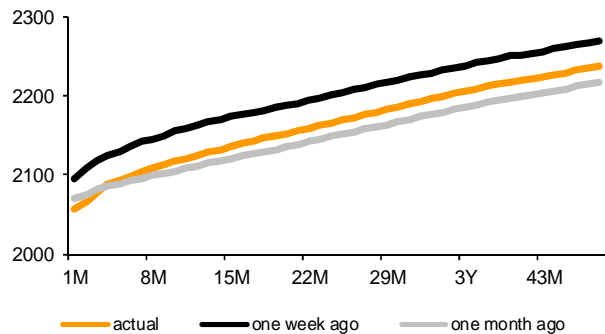
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve gasoil (ICE)



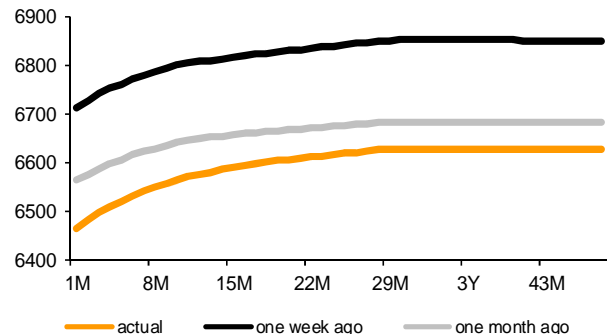
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve aluminium (LME)



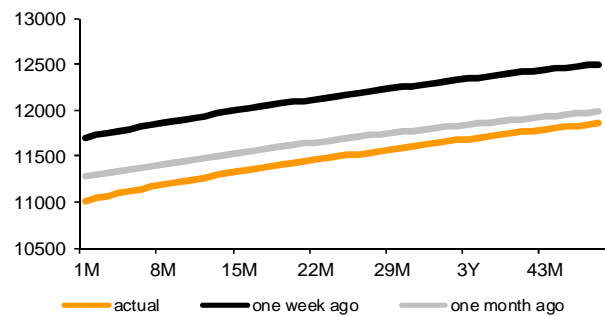
Source: LME; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve copper (LME)



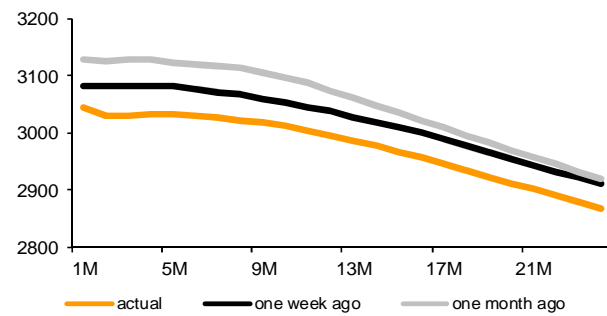
Source: LME; Bloomberg, Commerzbank Research

GRAPH 15: Forward curve Nickel (LME)



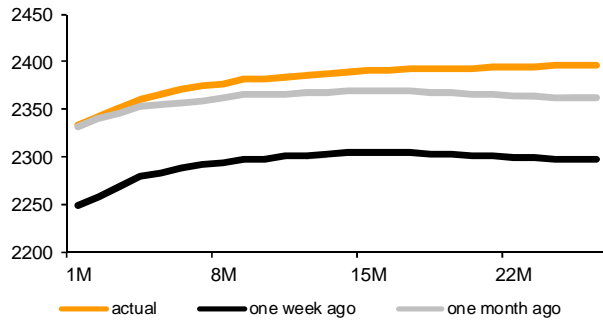
Source: LME; Bloomberg, Commerzbank Research

GRAPH 16: Forward curve zinc (LME)



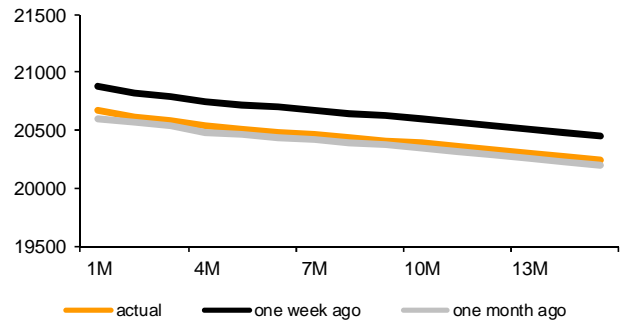
Source: LME; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve lead (LME)



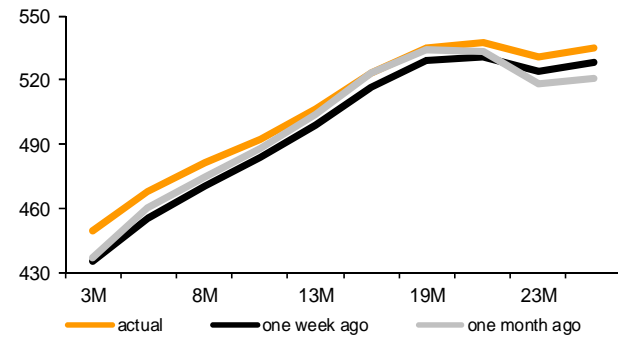
Source: LME; Bloomberg, Commerzbank Research

GRAPH 18: Forward curve tin (LME)



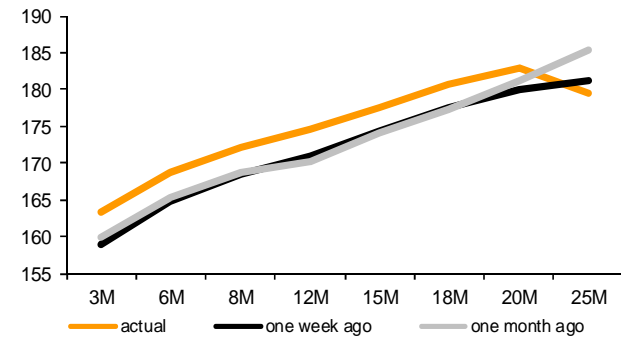
Source: LME, Bloomberg, Commerzbank Research

GRAPH 19: Forward curve wheat (CBOT)



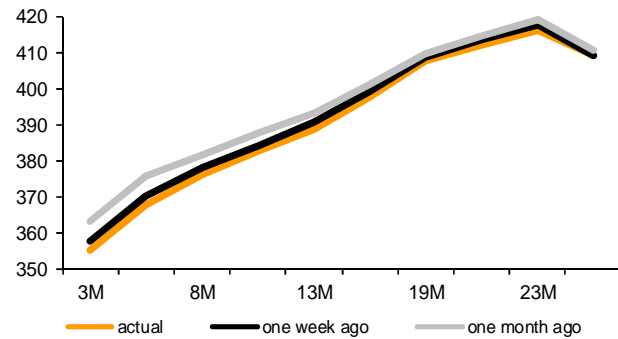
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 20: Forward curve wheat (MATIF)



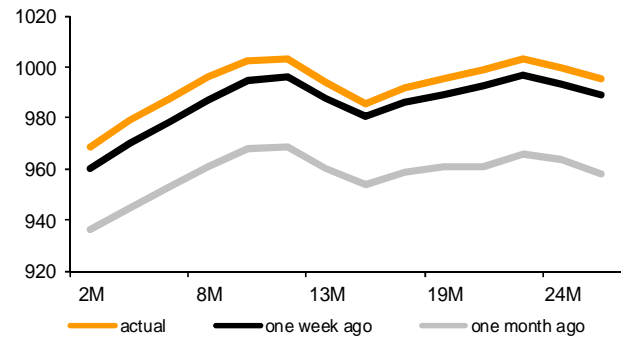
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 17: Forward curve corn (CBOT)



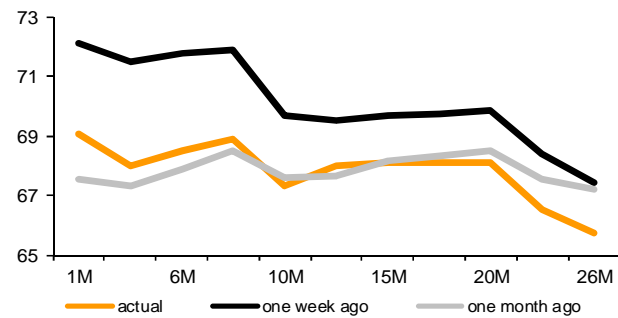
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 22: Forward curve soybeans (CBOT)



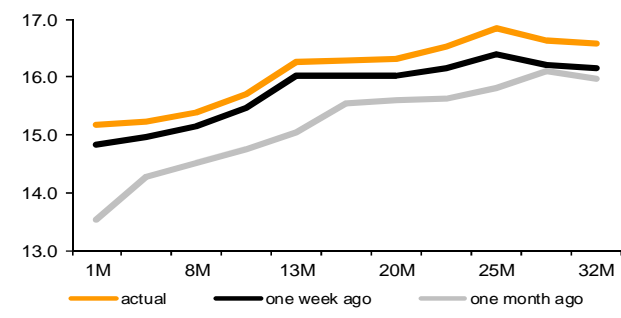
Source: CBOT; Bloomberg, Commerzbank Research

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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