



Commodities Daily

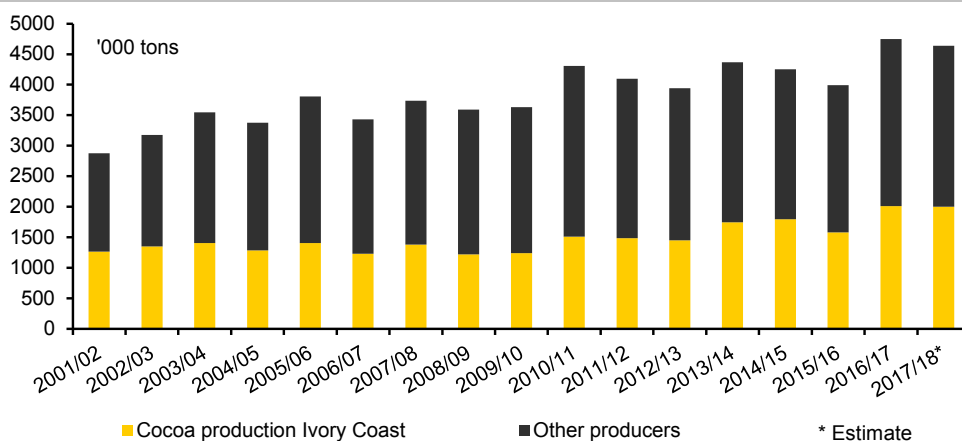
14 March 2018

Firm metals prices following good Chinese data

Energy: Brent is stabilising at just shy of \$65 per barrel, robust Chinese economic data playing their part in this (see Base metals on Page 2). What is more, the National Bureau of Statistics in China reported that crude oil processing increased by 7.3% year-on-year in January and February, whereas crude oil production declined by 1.9%. This also explains the high import needs at the beginning of the year. According to data from the customs authorities, Chinese crude oil imports in the first two months of the year were a good 10% higher than in the same period last year. The change at the helm of the US State Department (see Precious metals below) could also have an impact on the oil market, as the designated new US Secretary of State Pompeo takes a similarly critical view of the nuclear agreement with Iran as US President Trump does. This increases the risk that Trump will not confirm the nuclear deal at the next opportunity and will impose new sanctions on Iran that could also affect the oil sector. Saudi Arabia appears to be backpedalling on its plan to list its state-owned oil corporation Saudi Aramco on an international exchange this year. There is talk of the IPO being postponed to 2019 or of a listing on only the national exchange. Clearly the pressure to go ahead with the IPO has eased – thanks to a rise in oil revenues and cuts to expenditure, Saudi Arabia's current account is back in surplus after having shown a sizeable deficit in 2015 and 2016. Without the pressure of the IPO, Saudi Arabia could expand its oil production again, which would result in an oversupply and falling prices.

Precious metals: The gold price rose yesterday afternoon and cost \$1,330 per troy ounce for a time this morning after US President Donald Trump unexpectedly fired his Secretary of State Rex Tillerson. His successor is to be former CIA Director Michael Pompeo, who is regarded as a hardliner. Gold profited from the news that was initially tweeted by Trump, firstly in its role as a safe haven. Secondly, the yellow precious metal was lent buoyancy by the weak US dollar that depreciated in response to the news. For as long as chaos prevails in the current US administration, the US dollar is unlikely to appreciate in any lasting fashion, meaning that gold should remain well supported. Next week's Fed meeting is likely to preclude any noticeable short-term rise in the gold price, however (see yesterday's Commodities Daily). The Fed will probably raise interest rates moderately even after yesterday's US inflation data, despite inflation pressure having declined again in the US in February. The data have done nothing to change the market's expectations. Gold may benefit in the next few days from the growing political conflict between the UK and Russia following the poison attack on a former Russian spy in England. Overnight, Russia ignored the British government's ultimatum to explain itself with regard to the attack. The British government has threatened Russia with consequences and reprisals.

CHART OF THE DAY: Global cocoa production record high thanks to Ivory Coast



Source: ICCO, Bloomberg, Commerzbank Research

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Base metals: The Chinese economy got off to a much better start to the year than had been assumed. The data published by the National Bureau of Statistics (NBS) this morning well exceeded expectations. They show that industrial production in January and February combined grew by 7.2% year-on-year, while fixed asset investments increased by 7.9%. Thus the gloomier sentiment following the muted Purchasing Managers' Index for the manufacturing sector has not been reflected in the hard data. Metals prices are up in response to this morning's data: copper is trading at around \$7,000 per ton again, aluminium costs \$2,100 per ton and zinc is priced at just shy of \$3,300 per ton. As the NBS also announced this morning, Chinese steel and aluminium production has already risen sharply again even before the end of the winter season. 136.8 million tons of steel were produced in January and February combined (2.32 million tons per day), which is nearly 6% up year-on-year and a record quantity for this period of time. Although the NBS figures show that aluminium production decreased by 1.8% year-on-year to 5.3 million tons in the first two months of the year, it reached over 90,000 tons on a daily basis – the highest level since last June. Stocks of both steel and aluminium have grown noticeably so far this year, which points to subdued demand and could give rise to concerns about excessive supply.

Agriculturals: The cocoa price has soared by 33% in New York and by 28% in London since the beginning of the year. Thus cocoa has achieved the best price performance of all the commodities we track this year – with the exception of carbon. The Coffee and Cocoa Council (CCC) of Ivory Coast, the world's largest cocoa producer, apparently wishes to curtail its cocoa production. The first step is to count the plantations. Depending on the result, the distribution of higher-quality seeds and plants for the 2018/19 season is then to be temporarily suspended. The aim is to combat the overproduction that saw cocoa prices forced to multi-year lows at the end of last year. According to the International Cocoa Organization, global supply exceeded demand by 300,000 tons in the 2016/17 crop year. The surplus is set to decline to a good 100,000 tons in the current crop year 2017/18. Deficits are needed to reduce the cumulative surplus, as was the case on the oil market a good year ago. OPEC brought this about by cutting production, and Ivory Coast appears to want to follow a similar strategy for cocoa. If the CCC has its way, Ivorian cocoa production will be lowered from 2 million tons now to 1.7-1.8 million tons within two years. Ivory Coast has a good 40% share of the cocoa market, which is even somewhat higher than OPEC's share of the oil market.

Prices

Energy 1)	current	1 day	1 week	1 month	1 year
Brent Blend	64.6	-0.5%	1.0%	1.0%	28%
WTI	60.7	-1.1%	-0.1%	0.8%	28%
Gasoline	569.0	-0.2%	-3.8%	-2.1%	19%
Gasoil	568.8	0.1%	0.3%	4.6%	28%
Diesel	567.5	0.0%	-1.5%	4.3%	25%
Jet fuel	614.0	0.3%	-2.7%	2.1%	26%
Natural gas (\$/mmBtu)	2.79	0.3%	-0.9%	6.4%	-6%
EUA (€/ton)	11.40	2.9%	6.0%	17.5%	121%
Base metals 2)					
Aluminum	2103	0.6%	0.9%	-2.9%	14%
Copper	6945	0.5%	0.9%	-2.1%	21%
Lead	2390	2.0%	2.5%	-5.6%	9%
Nickel	13875	1.5%	2.9%	-0.9%	37%
Tin	21160	-1.0%	-0.6%	-1.4%	6%
Zinc	3295	1.7%	0.9%	-7.8%	20%
Precious metals 3)					
Gold	1326.5	0.3%	0.0%	-1.9%	11%
Gold (€/oz)	1070.6	-0.2%	0.3%	-1.3%	-5%
Silver	16.6	0.4%	0.6%	-1.5%	-2%
Platinum	965.6	0.2%	1.9%	-2.6%	4%
Palladium	991.3	1.3%	3.4%	-0.1%	35%
Agriculturals 1)					
Wheat (LIFFE, €/t)	164.0	0.5%	-0.9%	0.6%	-5%
Wheat CBOT	485.5	-0.9%	-1.9%	6.5%	18%
Corn	391.8	0.1%	0.1%	4.3%	8%
Soybeans	1048.8	1.0%	-1.2%	2.3%	5%
Cotton	83.0	-0.4%	0.7%	8.4%	8%
Sugar	12.62	0.2%	-1.2%	-5.0%	-30%
Coffee Arabica	121.6	1.8%	0.2%	-2.8%	-15%
Cocoa (ICE NY)	2532	-0.5%	3.7%	24.4%	26%
Currencies 3)					
EUR/USD	1.2390	0.5%	-0.3%	-0.6%	17%

Inventories

Energy *	current	1 day	1 week	1 month	1 year
Crude oil	425906	-	0.6%	1.3%	-19%
Gasoline	251029	-	-0.3%	2.3%	1%
Distillates	137426	-	-0.4%	-3.1%	-15%
Ethanol	23144	-	0.7%	-1.5%	1%
Crude oil Cushing	28180	-	-2.1%	-22.4%	-56%
Natural gas	1625	-	-3.4%	-21.8%	-29%
Gasoil (ARA)	3021	-	4.0%	-2.0%	5%
Gasoline (ARA)	1283	-	-3.0%	10.7%	14%
Base metals **					
Aluminum LME	1295625	-0.5%	-1.8%	1.8%	-36%
Shanghai	846913	-	0.5%	5.4%	215%
Copper LME	319825	-0.5%	1.1%	-4.1%	-4%
COMEX	233419	0.0%	0.4%	3.7%	74%
Shanghai	268095	-	3.0%	44.0%	-18%
Lead LME	131125	-0.1%	-2.3%	8.3%	-31%
Nickel LME	325434	-0.3%	-1.5%	-3.9%	-15%
Tin LME	1710	2.4%	10.0%	-10.5%	-63%
Zinc LME	207775	5.2%	0.0%	34.6%	-46%
Shanghai	154475	-	2.6%	57.1%	-21%
Precious metals ***					
Gold	72131	0.0%	-0.1%	0.2%	7%
Silver	651957	0.1%	-0.2%	0.8%	1%
Platinum	2461	0.0%	0.0%	-1.5%	2%
Palladium	1134	0.0%	-1.7%	-7.5%	-26%

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

Percentage change on previous period

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

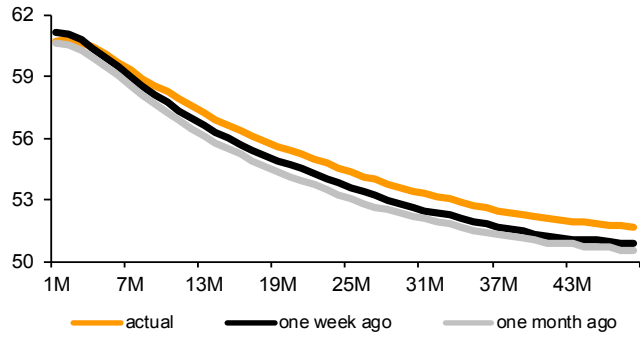
Crude oil in USD per barrel, oil products, base metals and cocoa in USD per ton, Precious metals in USD per troy ounce, grains and soybeans in US cents per bushel, Cotton, sugar and coffee Arabica in US cents per pound

* 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

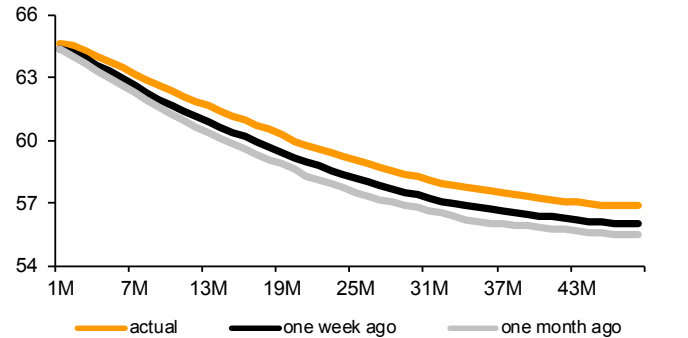
** tons, *** ETF holdings in '000 ounces

GRAPH 1: Forward curve oil market (WTI)



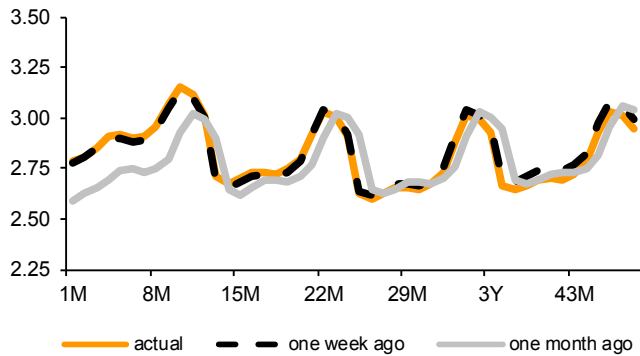
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 2: Forward curve oil market (Brent)



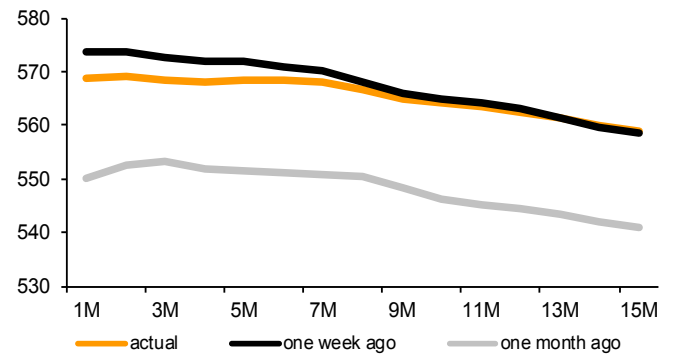
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 3: Forward curve gas market (Henry Hub)



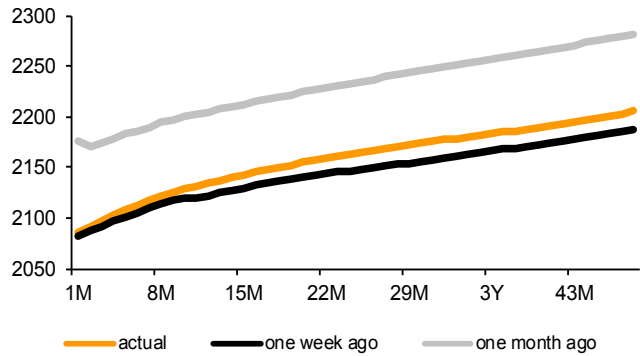
Source: NYMEX; Bloomberg, Commerzbank Research

GRAPH 4: Forward curve gasoil (ICE)



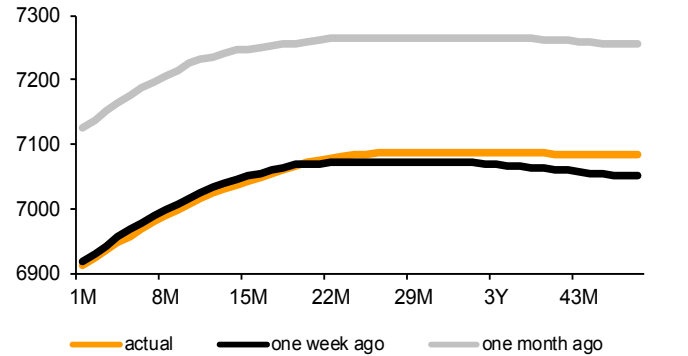
Source: ICE; Bloomberg, Commerzbank Research

GRAPH 5: Forward curve aluminium (LME)



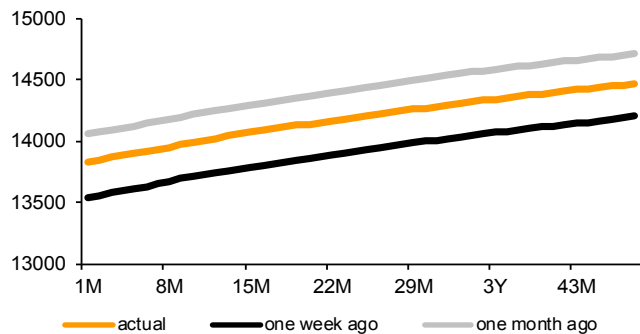
Source: LME; Bloomberg, Commerzbank Research

GRAPH 6: Forward curve copper (LME)



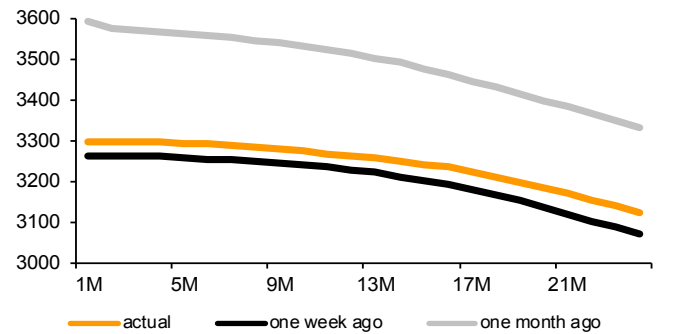
Source: LME; Bloomberg, Commerzbank Research

GRAPH 7: Forward curve nickel (LME)



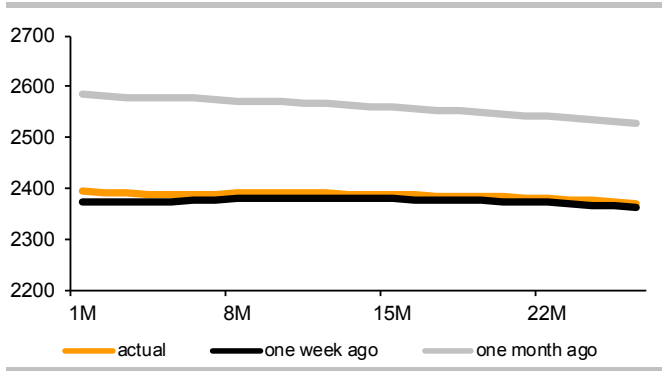
Source: LME; Bloomberg, Commerzbank Research

GRAPH 8: Forward curve zinc (LME)



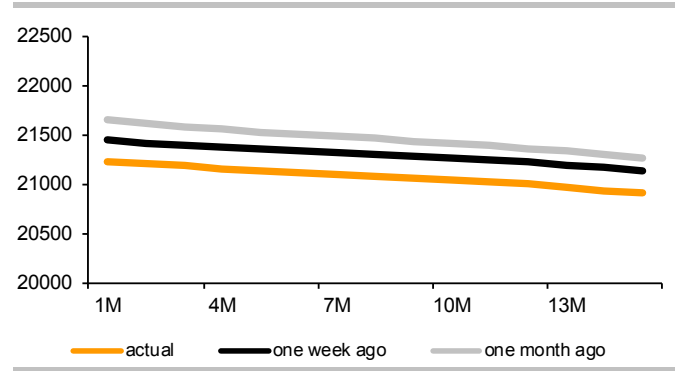
Source: LME; Bloomberg, Commerzbank Research

GRAPH 9: Forward curve lead (LME)



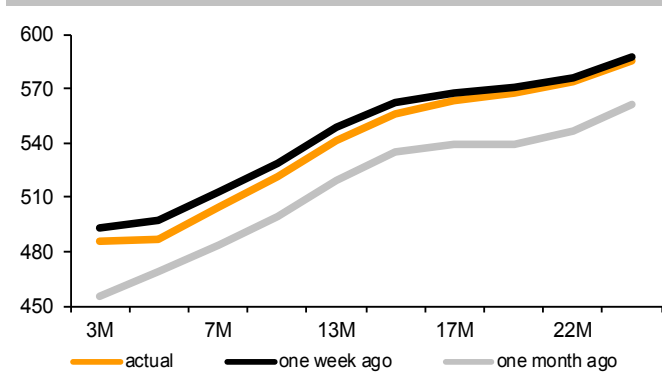
Source: LME; Bloomberg, Commerzbank Research

GRAPH 10: Forward curve tin (LME)



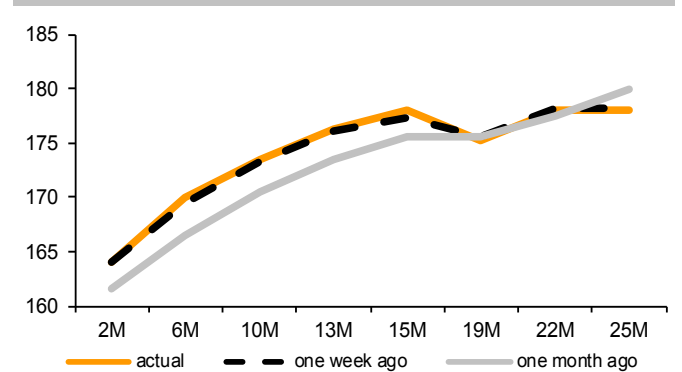
Source: LME; Bloomberg, Commerzbank Research

GRAPH 11: Forward curve wheat (CBOT)



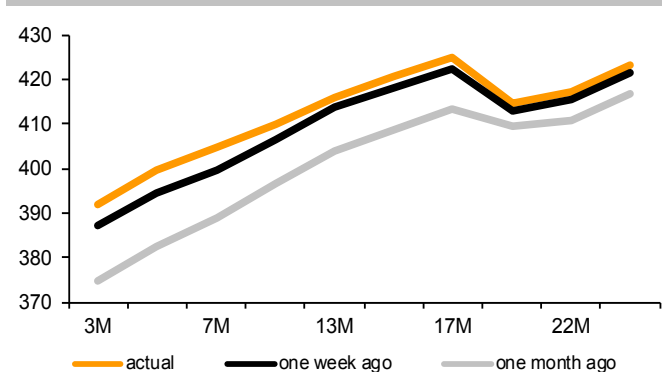
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 12: Forward curve wheat (Paris)



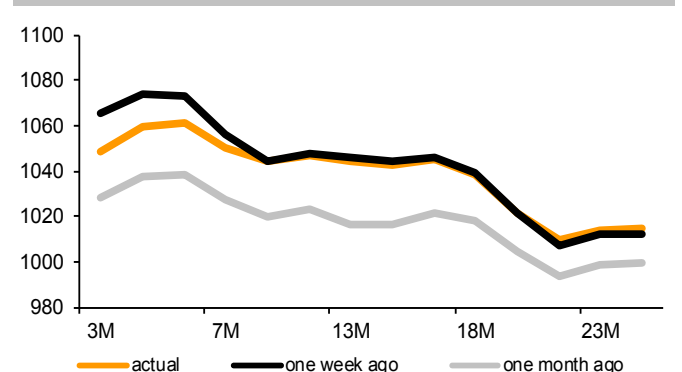
Source: MATIF; Bloomberg, Commerzbank Research

GRAPH 13: Forward curve corn (CBOT)



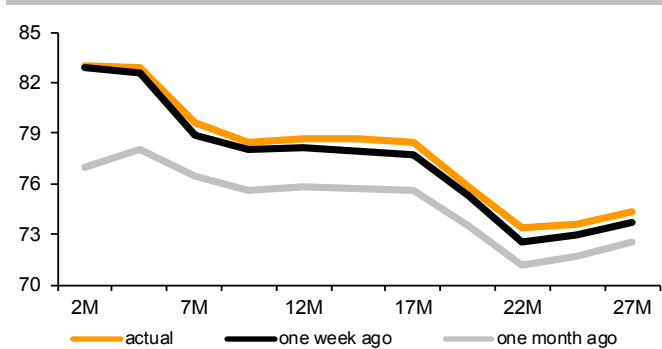
Source: CBOT; Bloomberg, Commerzbank Research

GRAPH 14: Forward curve soybeans (CBOT)



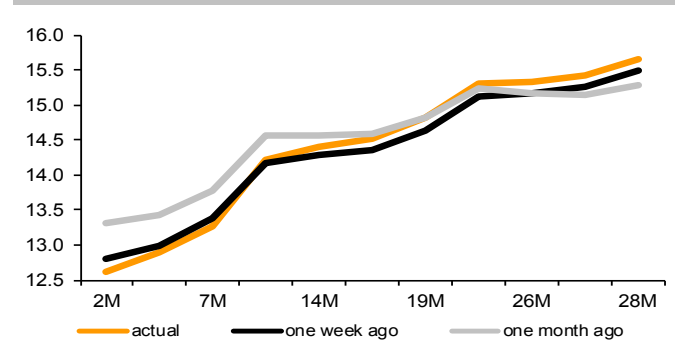
Source: CBOT; Bloomberg, Commerzbank Research

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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