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03/02/2014



Weekly Commodity Overview

Market Highlights



ASIA-PACIFIC REGION

Japanese data mixed; China's manufacturing slows

The trade deficit of Japan unexpectedly narrowed in December to 1.15 trillion yen from 1.33 trillion yen in the preceding month. Jobless rate also added to optimism over the third largest economy. The unemployment rate fell to 3.7% in December from 4% in November, while economists predicted the rate to edge down to 3.9%. At the same time, retail sales were on the negative side, gaining only 2.6% in December, while experts called for a 3.9% rise. Meanwhile, official PMI reading in China showed manufacturing activity slowed in January to 50.5 from 51.0 in December.



EUROPE

Eurozone's data beats forecasts; CPI points to disinflation

German business sentiment continued to improve in January, climbing to 110.6 versus a forecast of 110.1, adding to signs that the Eurozone's economy gathers momentum. Moreover, jobless rate in the single currency union edged down to 12% in December from 12.1% in November. However, flash CPI estimate fuelled worries over possible deflation in the region as the gauge of consumer prices rose only annualized 0.7% compared to a forecast of 0.9%.

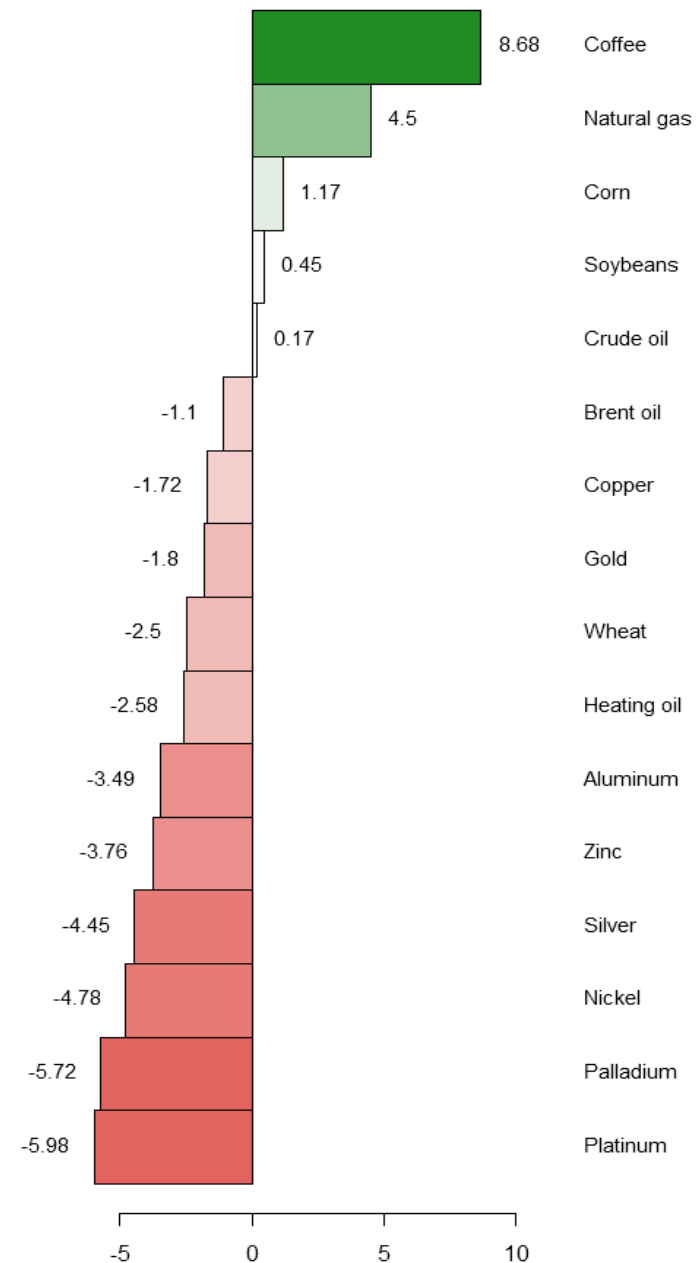


NORTH AMERICA

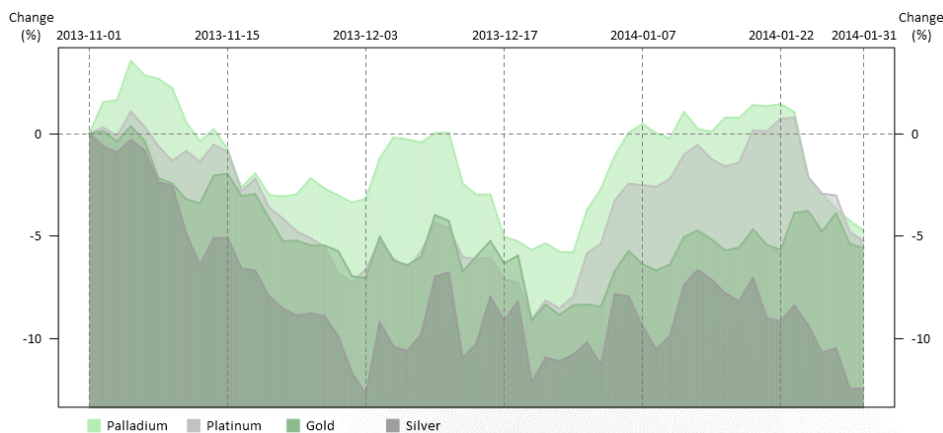
Fed cuts stimulus amid mixed economic data

The Fed reduced its monthly bond purchases to \$65 billion from \$75 billion, cutting stimulus for the second meeting in a row as a part of gradual withdrawal of Ben Bernanke's record easing programme. Meanwhile, the U.S. economy was sending mixed signals last week. The GDP grew at 3.2% pace in Q4 of 2013, slowing down from a 4.1% advance in Q3 and missing forecast of a 3.3% rise. Orders for core durable goods surprisingly dropped 1.6% in December, whereas consumer confidence gauge released by the Conference Board grew to 80.7 in January compared to a prediction of a rise to 78.3.

Weekly Ranked Price Moves (%)



Precious Metals Decline After Fed Cuts Stimulus for the Second Time



Gold was tilted downwards, slumping from a two-month high as fears that the Fed will cut its bond-purchasing programme further materialized thus creating a heavy pressure on the precious metal. However, the bullion managed to pare losses on signs of solid Asian demand. India, the world's second biggest buyer, may try to restore its position as the largest importer as the country may review import curbs by the end of March if it continues to control its current account deficit. Meanwhile, consumer purchases in China soared 30% in 12 months through September to attain 996.3 tonnes compared to India's 977.6 tonnes, according to the Gold Council.

Silver was gradually losing ground throughout last week despite relatively strong fundamentals. Although investment demand for the grey metal was weakening in the last 12 months, the decline in the ETF holdings backed by silver was not as steep as in gold-backed ETFs. Furthermore, relatively low silver prices compared to gold are likely to continue luring Indian buyers. India's silver imports amounted 4,073 tonnes in the first eight months of 2013 versus 1,921 tonnes in the whole 2012.

Platinum remained potentially the strongest in the sector as strikes among 70,000 platinum mine workers in South Africa may cost about 9,900 ounces in lost production for three biggest producers: Anglo American Platinum Ltd., Lonmin Plc. and Impala Platinum Holdings Ltd. At the moment, producers have enough stocks to continue fulfilling orders for six-to-eight weeks.

Palladium ended the week with a 5.72% loss despite support pertaining to a combination of falling Russia's supplies and rising industrial demand. Palladium deficit is expected to reach about one million ounces in 2014 after amounting around 980,000 ounces in 2013.

Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-1.8	3.12	-5.59	-5.39	-26.45	-25.59
Silver	-4.45	-1.29	-12.44	-3.98	-40.86	-39.31
Platinum	-5.98	0.14	-5.25	-5.22	-18.79	-18.1
Palladium	-5.72	-2.1	-4.75	-3.63	-6.69	-5.99

Changes in Total Known ETF Holdings (%)

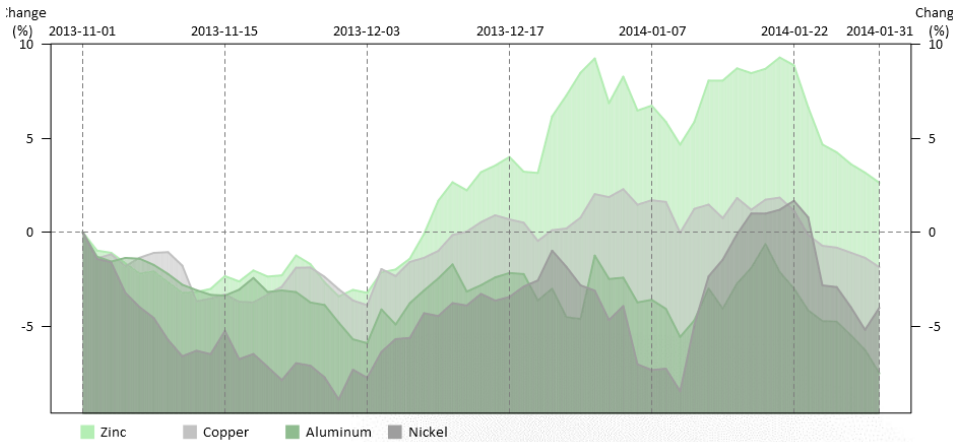
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	0.01	-1.34	-7.57	-11.37	-33.45	-33.42
Silver	-0.03	-0.23	-3.28	0.61	-0.23	-0.38
Platinum	0.1	-0.69	4.61	13.19	59.01	58.64
Palladium	0.03	0.23	0.1	-4.02	0.39	2.12

Precious Metals Long-Term Price Forecasts (USD per ounce)

	Q1 14			Q2 14			Q3 14			Q4 14		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Gold	1 110	1 785	1 282.7	1 090	1 780	1 268.13	1 070	1 760	1 260.47	1 025	1 743	1 261.48
Silver	18.25	33	22.02	16.75	34	21.83	17	35	22.1	17	34	22.46
Platinum	1 340	1 855	1 535.26	1 300	1 850	1 553.26	1 320	1 850	1 574.05	1 353	1 850	1 599.47
Palladium	660	850	763.9	625	850	772.57	630	850	776.74	605	900	795.96

S&P GSCI Precious Metals Index	%
Weekly	-2.13
Monthly	2.52
3 Months	-6.6
6 Months	-5.38
12 Months	-28.35

Industrial Metals Plunge on Concerns Over China's Manufacturing



Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-3.49	-5.15	-7.51	-5.71	-20.85	-20.33
Copper	-1.72	-3.66	-1.87	1.51	-13.88	-13.25
Nickel	-4.78	0.68	-4.03	-0.04	-24.32	-24.15
Zinc	-3.76	-3.96	2.63	7.02	-9.47	-8.98

Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.53	-0.63	1.02	-0.89	5.14	5.17
Copper	-3.81	-14.16	-33.98	-48.33	-18.32	-15.39
Nickel	1	1.87	11.93	30.44	76.71	77.68
Zinc	-2.22	-8.47	-16.83	-17.95	-28.78	-29.31

Industrial Metals Long-Term Price Forecasts (USD)												
	Q1 14			Q2 14			Q3 14			Q4 14		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Copper	6 250	8 983	7 231.78	6 000	8 983	7 148.33	5 750	8 762	7 072.37	5 750	8 487	7 055.19
Zinc	1 806	2 315	2 004.91	1 739	2 500	2 025.78	1 626	2 403	2 022.96	1 549	2 500	2 074.52
Aluminum	1 650	2 304	1 852.56	1 631	2 304	1 881.96	1 577	2 271	1 899.8	1 502	2 215	1 935.2
Nickel	13 007	20 611	15 299.21	12 892	20 391	15 267.46	12 312	20 170	15 476.62	11 664	19 950	15 617.79

S&P GSCI Industry Metals Index	%
Weekly	-2.7
Monthly	-4.29
3 Months	-4.51
6 Months	-2.74
12 Months	-19.57

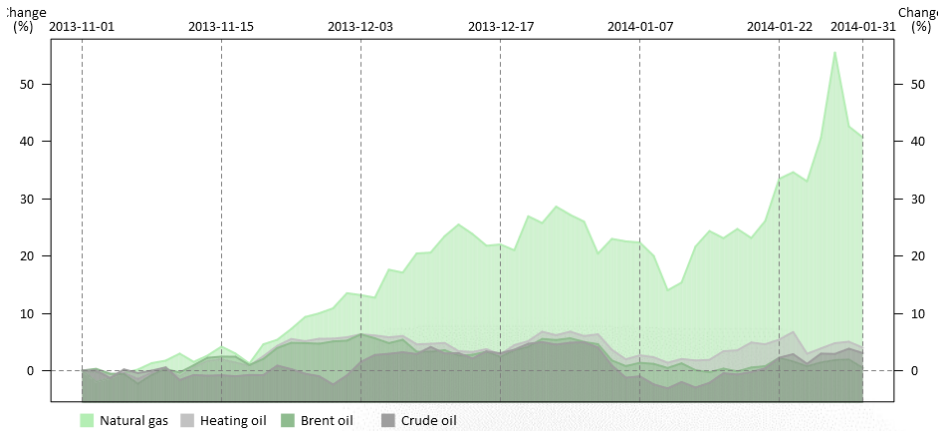
Aluminum prolonged its losing streak as supply-demand imbalance is likely to persist this year. Alcoa, the third biggest producer of the metal, reported an optimistic demand forecast for 2014. Consumption of the lightweight metal is expected to surge 7%, while demand in China may soar by 10% after jumping 11% in 2013. Despite strengthening demand, China still may see surplus of 400,000 tonnes, while the rest of the world will face a deficit of 300,000. As concerns alumina, the market is likely to witness surplus of about two million tonnes this year compared to 636,000 tonnes in 2013.

Copper capped the longest decline in 15 months on Wednesday as signs of manufacturing sector's expansion across the U.S. and Europe failed to appease worries over slowing factory activity in China, the world's top consumer of the base metals. China's imports of the red metal dropped 5.77% year-on-year in the first 11 months of 2013. From the supply side, rising Chilean production added pressure on the base metal. Output in Chile, the top producer, totaled 5.77 million tonnes in 2013 and may amount six million tonnes in 2014.

Nickel halted its rally as strong support from an ore exports ban in Indonesia started to fade. Speculation that Indonesia will not impose a complete ban on ore exports pushed nickel futures lower. Moreover, looming holidays in China as well as slowing manufacturing activity in the top consumer added to losses of the base metal.

Zinc went down amid mixed China's imports data and overall weakness of the commodity sector. China's imports of refined zinc climbed 21.52% in 2013, whereas purchases of zinc alloy slumped 4.09% last year. Meanwhile, LME inventories dropped another 2.22% last week, pushing the 12-month decline to 28.78%.

Energy Futures Mixed on EIA Report, U.S. Weather



WTI and Brent oil plunged on Monday amid worries that demand from the emerging economies will slow down. Throughout the week emerging-market stocks were tilted downwards, while China's manufacturing activity unexpectedly contracted last in January. At the same time, WTI found the way to pare losses, being propped up by record cold temperatures in the U.S. Moreover, energy prices may seek support on the latest IEA forecast, suggesting that global demand will climb 1.3 million barrels per day, or 1.4%, this year.

At the same time, the EIA report was on the negative side. The U.S. crude oil inventories jumped 6.4 million barrels in the week ended January 24, while experts predicted a rise of 2.1 million barrels. In the preceding week, crude oil stockpiles added one million barrels versus expectations of a 1.9-million-barrel decline.

Natural gas rallied in the first sessions of the week as freezing weather in the U.S. boosted demand for heating fuel. Last week, MDA Weather Services called for abnormally cold weather across most of the U.S. territory through February 11. However, the second part of the week was less positive for the commodity as updated weather forecasts pointed to milder temperatures. The only supporting factor was the EIA report, showing natural gas storage declined 230 billion cubic feet versus a prediction of a 225-billion-cubic-foot drop.

Heating oil also found support on frigid temperatures in the U.S. However, the commodity failed to finish the week with a gain even despite positive EAI report. U.S. inventories of the distillate fuel, which includes diesel and heating oil, declined in the week ended January 24. Distillate stocks dropped 4.6 million barrels compared to a forecast of a 2.3-million-barrel drop.

Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	0.17	-0.94	3.04	-8.84	-1.56	-1.47
Brent oil	-1.1	-3.97	0.46	-2.34	-4.13	-4.63
Natural gas	4.5	16.86	40.71	47.68	37.76	37.34
Heating oil	-2.58	-2.22	3.99	-2.42	-3.01	-3.59

Changes in U.S. inventories (%)

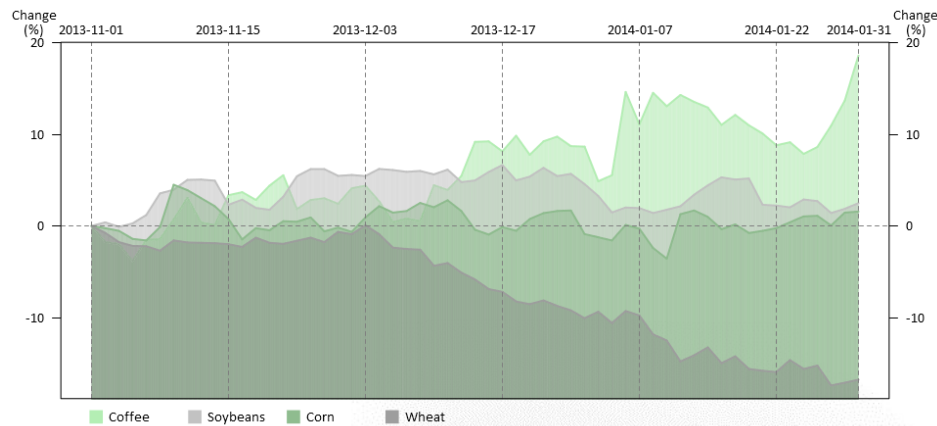
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	1.83	-2.7	-6.83	-1.91	-3.09	-1.51
Gasoline	-0.35	6.63	9.66	4.91	0.92	0.51
Natural Gas	-9.49	-28.59	-41.97	-22.92	-21.73	-26.8
Distillate Fuel	-3.8	1.8	-5.35	-7.8	-11.08	-12.63

Energy Futures Long-Term Price Forecasts (USD)

	Q1 14			Q2 14			Q3 14			Q4 14		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Crude oil	89	107	97.08	85	109	95.29	80	112	96.05	70	114	95.01
Natural gas	65	72	70.07	62	65	63.37	62	65.1	63.28	70	72.71	70.94
Heating oil	289	307	296.5	273	298	283	280	299	289	287	302	293
Brent oil	90	118.5	105.98	90	117.5	103.5	90	119	103.78	85	122	102.53

S&P GSCI Energy Index	%
Weekly	0.35
Monthly	-1.31
3 Months	-5.17
6 Months	-6.69
12 Months	-20.49

Agricultural Commodities Mostly Higher Amid U.S. Cold, Brazil's Dryness



Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	-2.5	-8.18	-16.77	-15.86	-31.2	-30.66
Corn	1.17	2.84	1.58	-6.42	-26.81	-26.57
Soybeans	0.45	-0.75	2.5	8.57	-3.75	-3.39
Coffee	8.68	13.1	18.62	5.88	-19.9	-19.59

USDA Wasde Total Estimated Inventories						
	Forecast	Today	Month	3 Months	6 Months	YTD
Soybeans	13.33	150	-31.82	15.38	7.14	-58.33
Green Coffee	0	72225.22	0	138.87	165.52	98.95
Corn	8.53	151419	0.83	23.52	-2.77	2.78
Wheat	1.25	176275	1.9	1.39	-5.11	-9.1

Farm Commodities Long-Term Price Forecasts (USD)												
	Q1 14			Q2 14			Q3 14			Q4 14		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Corn	425	580	461.53	420	590	475.45	410	600	481.82	380	650	486.85
Coffee	100	140	118.46	105	150	123.4	112	150	126.4	110	150	126
Wheat	575	720	635.92	550	750	633.58	525	750	640.03	500	750	637.03
Soybeans	1 100	1 350	1 284.09	1 050	1 400	1 272.91	1 000	1 350	1 234.36	1 000	1 400	1 195.27

S&P GSCI Agriculture Index	%
Weekly	-0.07
Monthly	-1.97
3 Months	3.09
6 Months	-2.53
12 Months	-2.77

Wheat commenced last week with a decline of 0.3% on weak U.S. export data. U.S. farmers sold by 120,000 bushels less wheat in the week ended January 26 compared to the preceding week, with total exports amounting 14 million bushels. Exports were close to the lowest end of expectations. However, world demand seems more resilient; Saudi Arabia bought 715,000 tonnes of the grain from North and South America and Australia. However, concerns that abnormally cold weather in the U.S. will impact winter seedlings prevented wheat futures from large losses in the first part of the week. Later in the week, long-awaited rains in Australia added to wheat's losses.

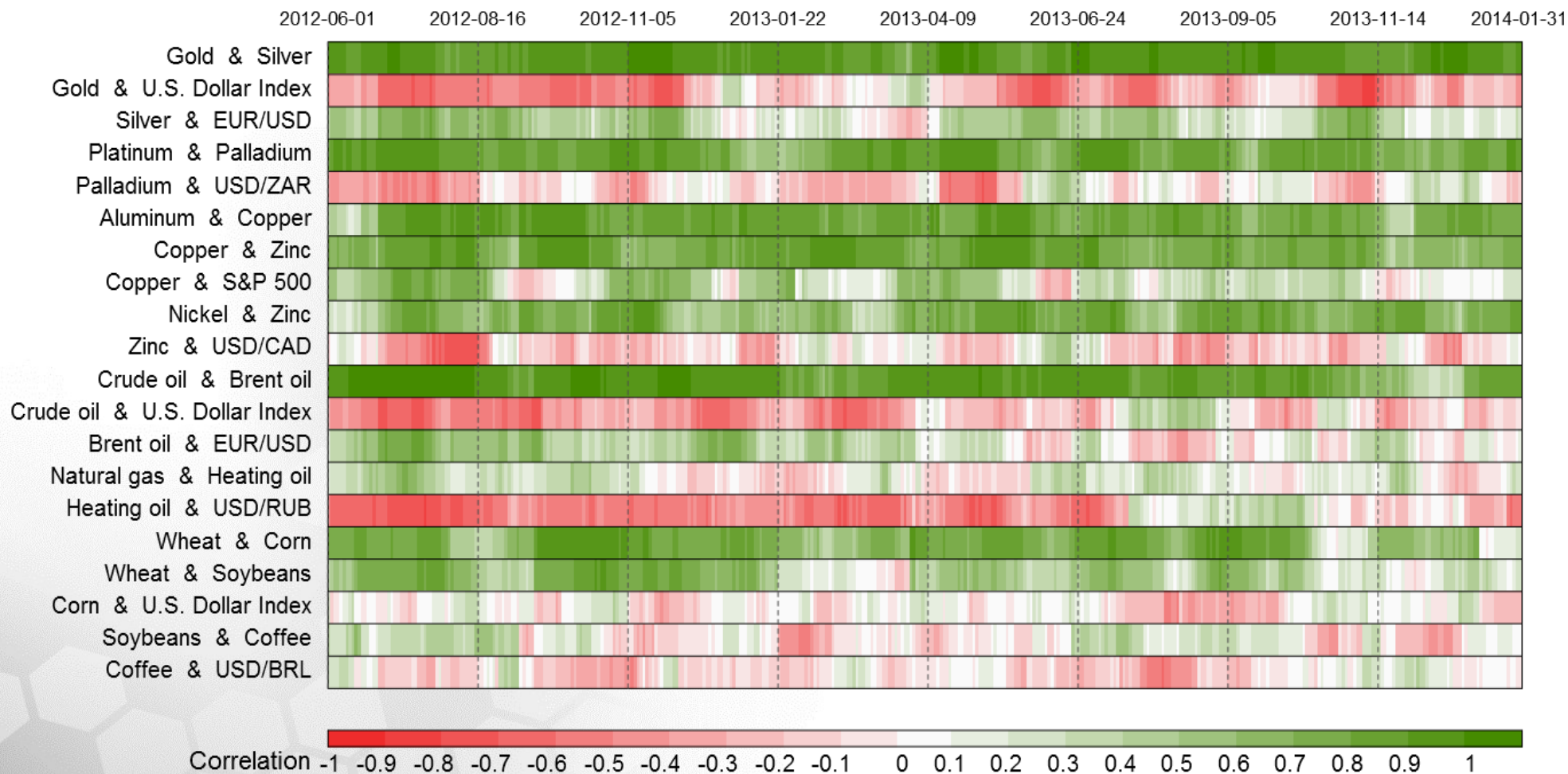
Corn found support on low temperatures across the U.S. Corn Belt. The cold is slowing transportation of the grain that may adversely affect U.S. corn exports. Meanwhile, the demand for corn remained strong, with the USDA reporting a sale of 100,000 tonnes to Spain. However, weak U.S. ethanol production numbers contained the rally in corn prices. Ethanol output dropped 5,000 barrels per day in the week ended January 24 to 900,000 barrels per day that is a three-month low.

Soybeans added 0.45% last week despite worries over China's demand. Chinese importers seem to have started switching to supplies from South America where favorable weather conditions improved prospects of the looming harvest. Celeres lifted its prediction for Brazil's recently started soybean harvest to 89.9 million tonnes. At the same time, the overall demand from China, the world's biggest consumer, may soften as farmers are cutting poultry inventories because of the spreading bird flu.

Coffee, being tied to the Brazilian Real, saw some gains on weakening Brazilian currency. On Friday, coffee surged as dryness in Brazil may reduce harvest this season. Coffee rose 8.68% last week, the most among all commodities included in the report.

Correlation Matrix

Correlation

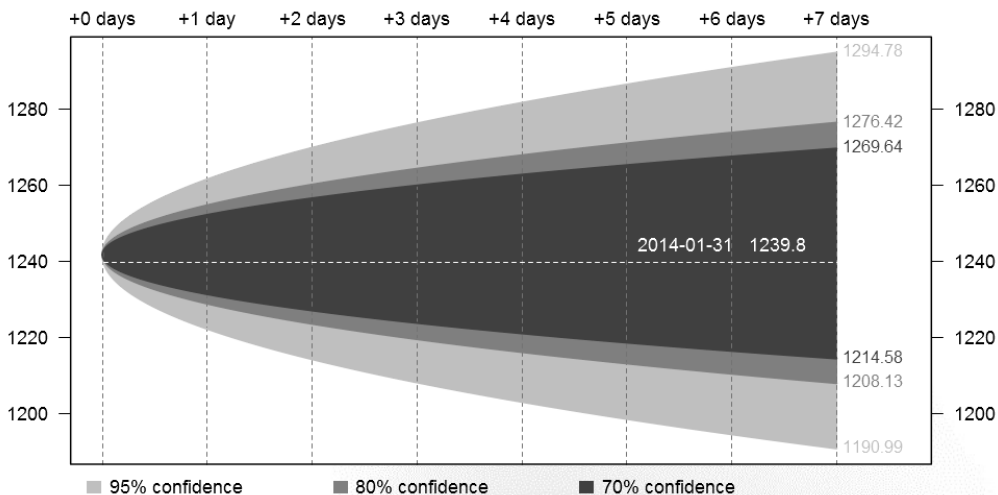


Precious Metals Confidence Intervals for the Next 7 Days

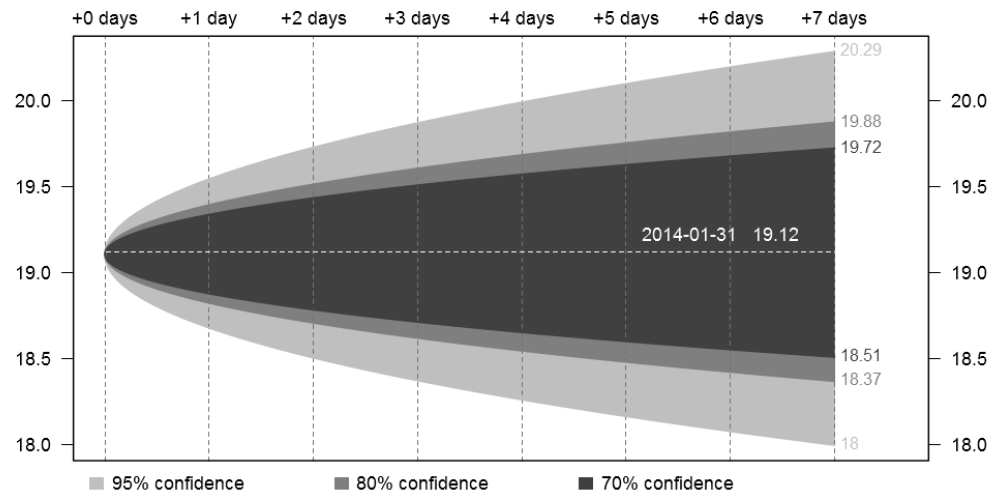
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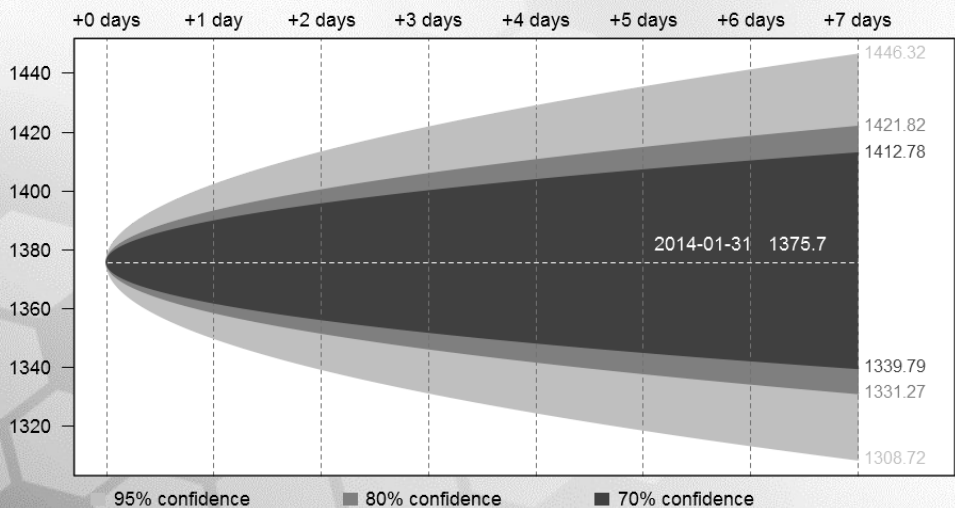
Gold Potential Rates



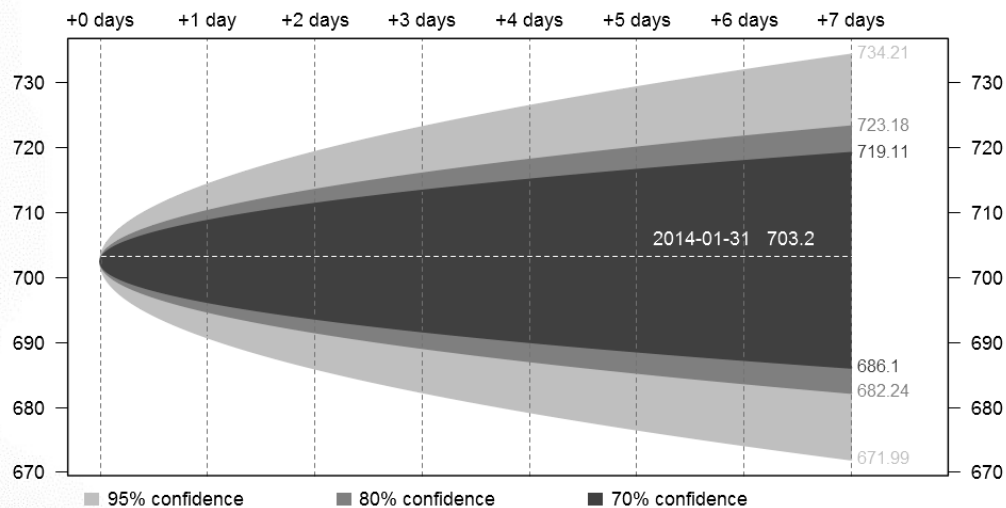
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates

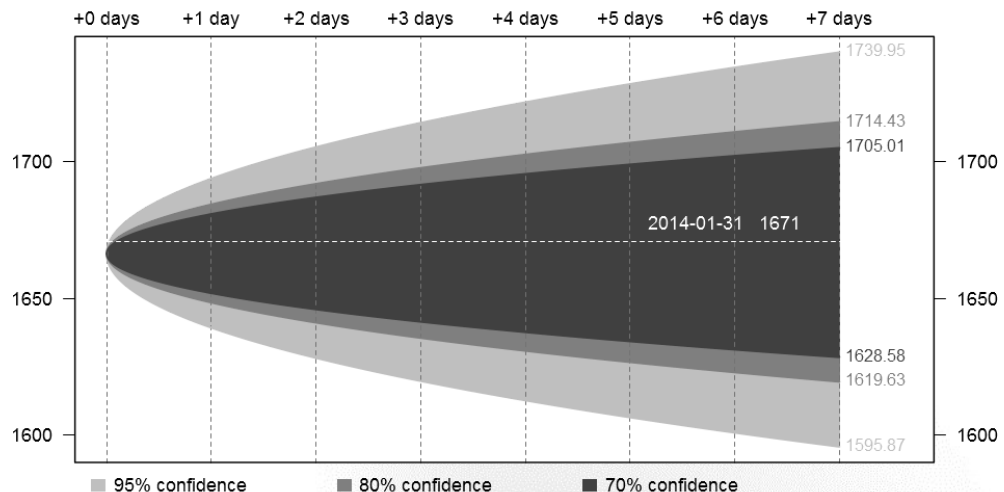


Industrial Metals Confidence Intervals for the Next 7 Days

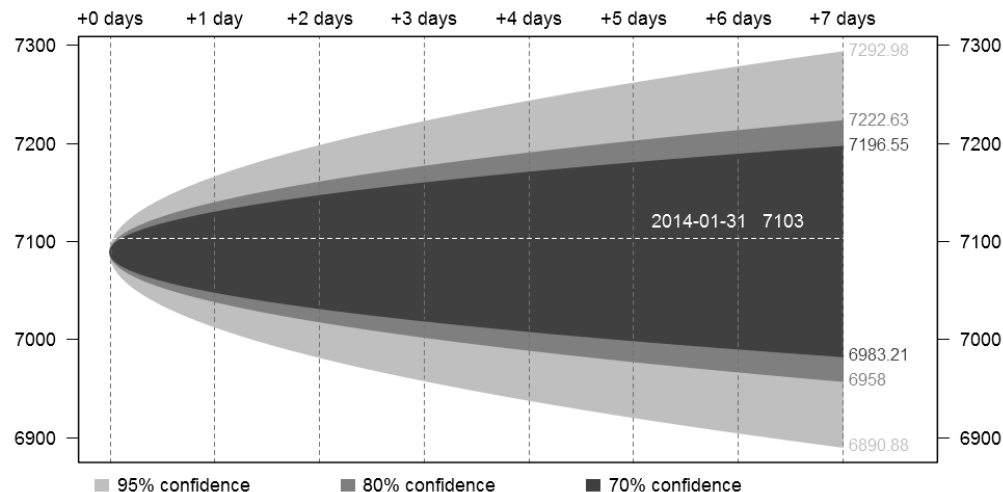
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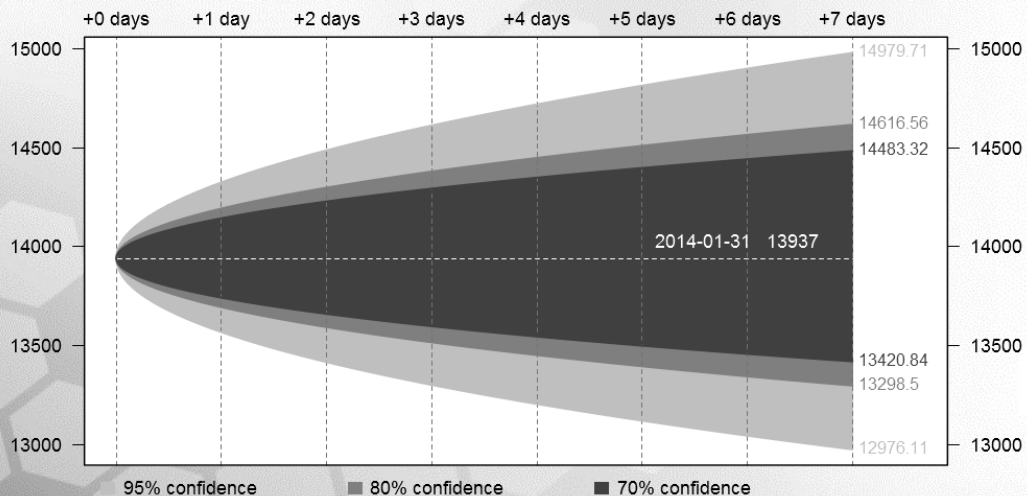
Aluminum Potential Rates



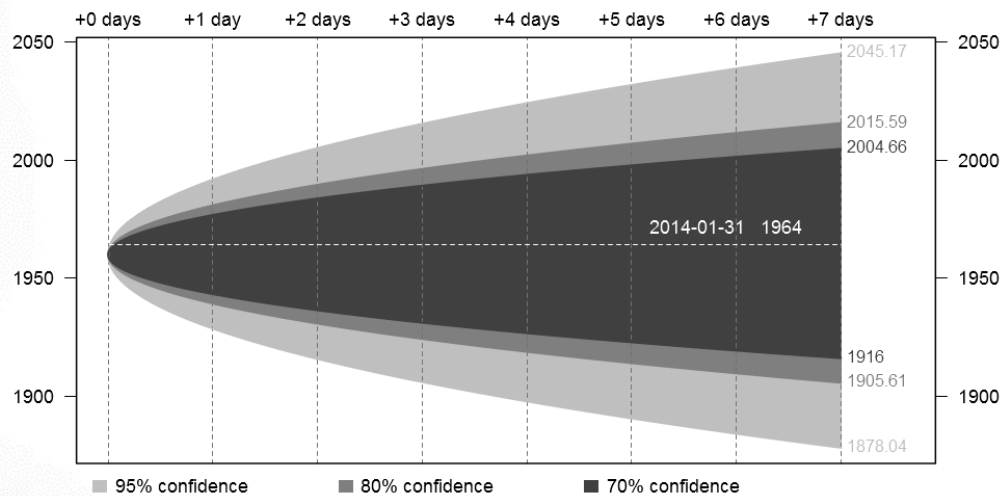
Copper Potential Rates



Nickel Potential Rates



Zinc Potential Rates

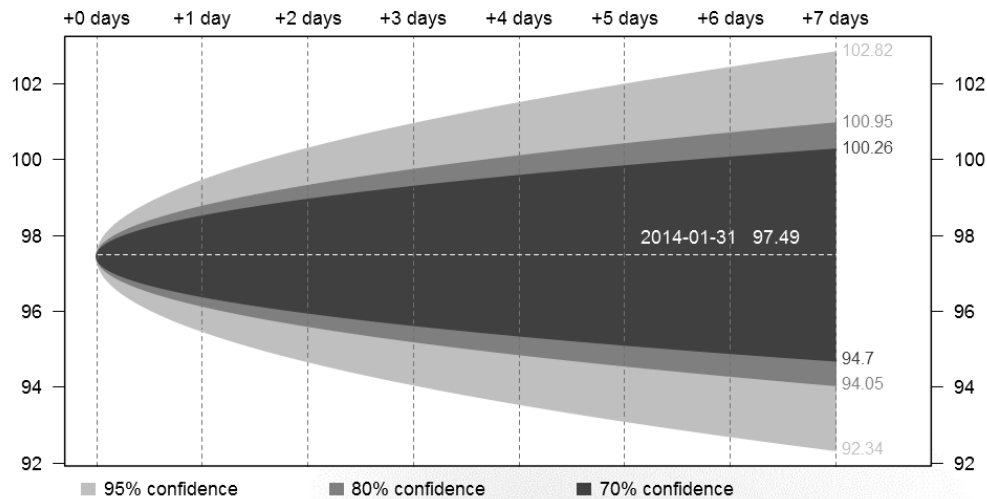


Energy Confidence Intervals for the Next 7 Days

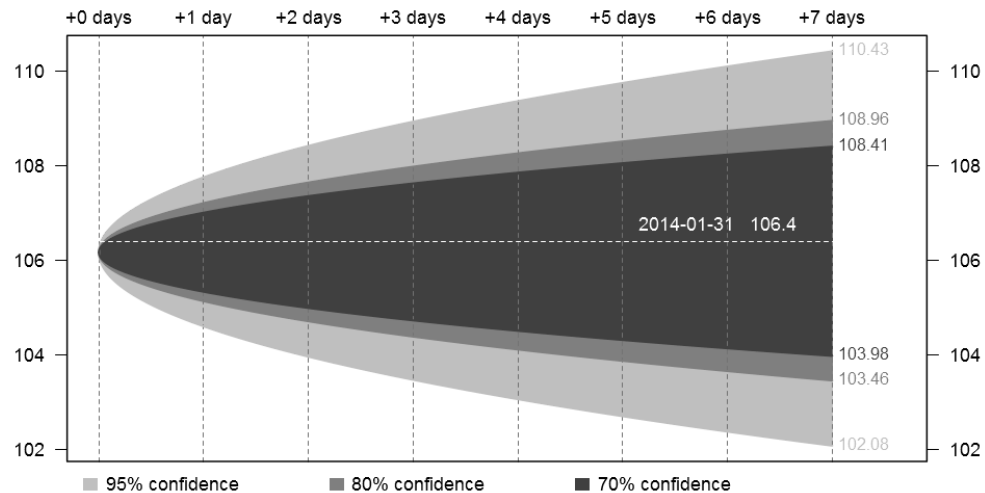
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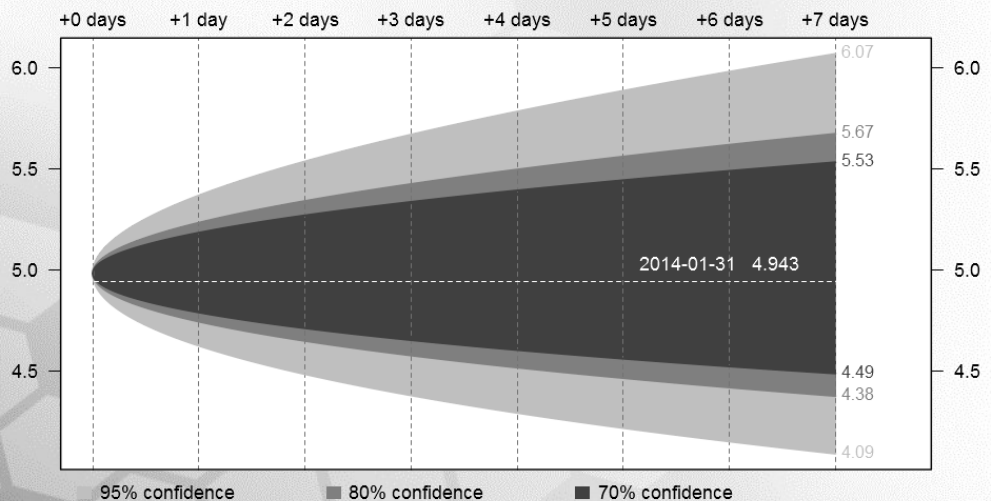
Crude.oil Potential Rates



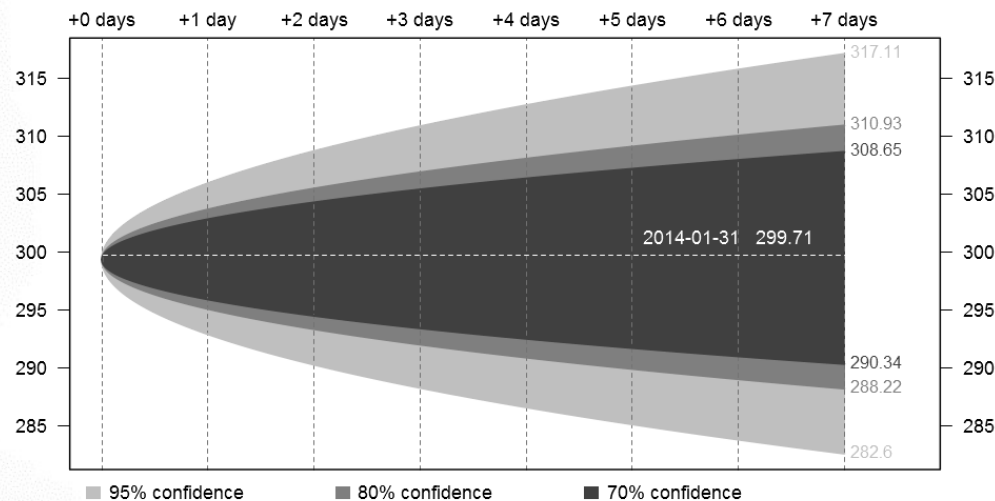
Brent.oil Potential Rates



Natural.gas Potential Rates



Heating.oil Potential Rates

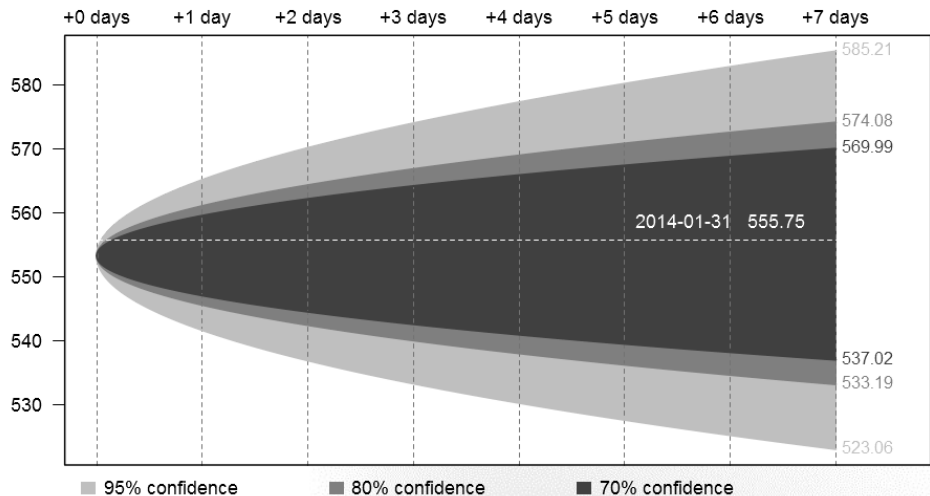


Agriculture Confidence Intervals for the Next 7 Days

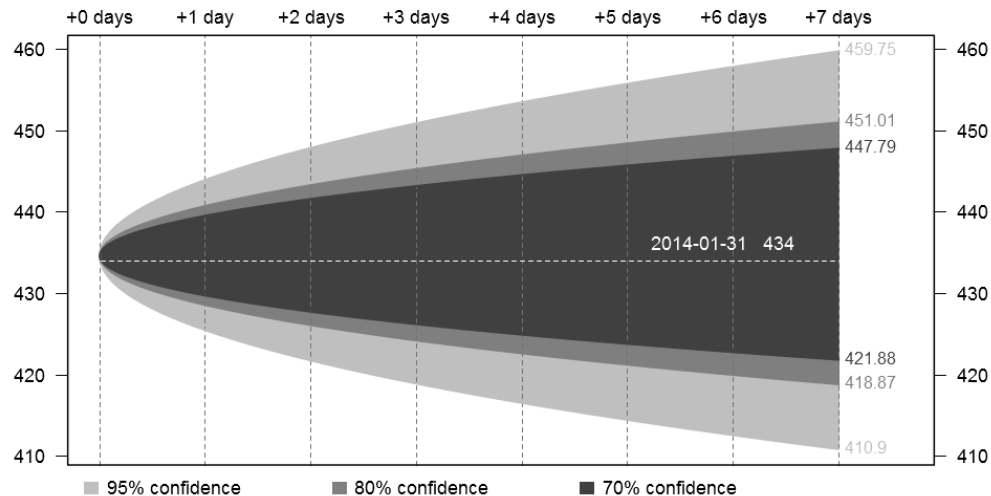
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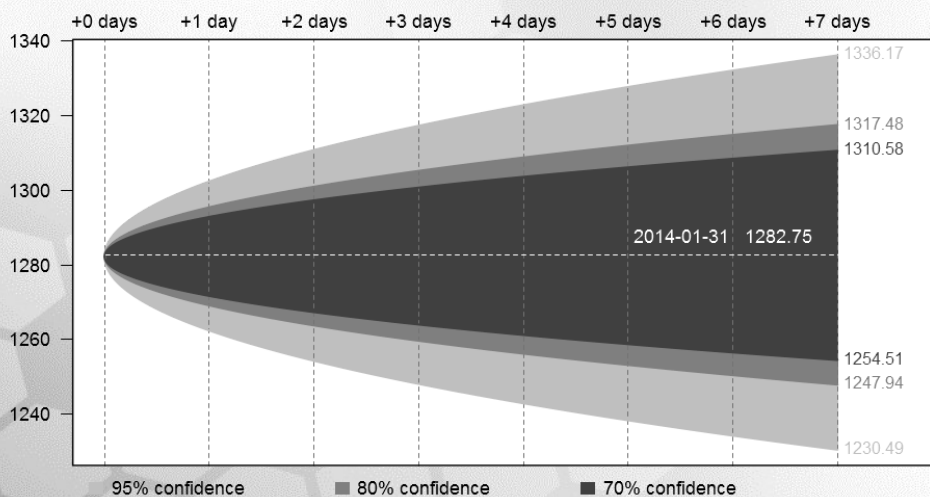
Wheat Potential Rates



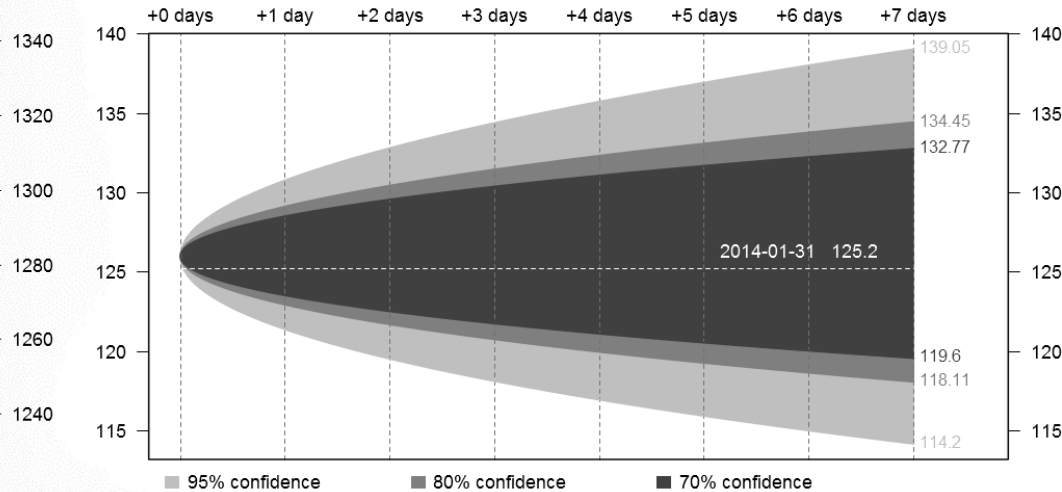
Corn Potential Rates



Soybeans Potential Rates



Coffee Potential Rates



EXPLANATIONS

Commodities

- Gold - COMEX active contracted (USD/t o.z.)
- Silver - COMEX active contract (USD/t o.z.)
- Platinum - New York Mercantile Exchange active contract (USD/t o.z.)
- Palladium - New York Mercantile Exchange active contract (USD/t o.z.)
- Aluminum-Active contract of primary aluminum of minimum 99.2% purity at the LME (USD/MT)
- Copper –Active contact of electrolytic copper at the LME (USD/MT)
- Zinc - Active contract of zinc od minimum 99.995% purity at the LME (USD/MT)
- Nickel– Active contract of nickel of 99.8% purity at the LME (USD/MT)
- Crude oil - light, sweet crude oil active contract on the New York Mercantile Exchange (USD/bbl.)
- Brent oil - Brent oil active contract on the ICE Futures Europe (USD/bbl.)
- Natural Gas - natural gas active contract on the New York Mercantile Exchange (USD/MMBtu)
- Heating oil - heating oil active contract on the New York Mercantile Exchange (USD/gal.)
- Wheat - wheat active contract on the Chicago Board of Trade (cents/bu)
- Corn - corn active contract on the Chicago Board of Trade (cents/bu)
- Coffee - benchmark Arabica coffee active contract on the NYB-ICE Futures Exchange
- Soybeans -active contract on the Chicago Board of Trade (cents/bu)

Indices

- **S&P GSCI Precious Metals Total Return Index** - commodity group subindex composed of gold and silver; the index reflects return on underlying commodity futures price movement
- **S&P GSCI Industrial Metals Total Return Index** - commodity group subindex composed of futures contracts on aluminium, copper, lead, nickel and zinc
- **S&P GSCI Energy Total Return Index** - commodity group subindex composed of futures contracts on crude oil, Brent oil, RBOB gas, heating oil, gas oil and natural gas
- **S&P GSCI Agriculture Total Return Index** - commodity group subindex composed of futures contracts on wheat, red wheat, corn, soybeans, cotton, sugar, coffee and cocoa

Indicators

Long-term price forecasts-aggregated price forecasts based on predictions of 20 international banks forecasts

USDA Wasde Total Estimated Inventories (Today)-current level of inventories of wheat in 1000 MT, corn in 1000 MT, soybeans in million bushels and green coffee in 1000 bags



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- Trade Pattern Ideas
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