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RESEARCH PRODUCTS

24/02/2014



# Weekly Commodity Overview

## Market Highlights



### ASIA-PACIFIC REGION

#### Asian numbers miss estimates

Japan's trade deficit widened in January to reach a record of 2.79 trillion yen amid higher import costs. Analysts predicted the shortfall to hit 2.49 trillion yen after it approached 1.26 trillion yen in December. Imports added annualized 25%, while exports edged higher 9.5%. Meanwhile, China's data also disappointed investors. Flash estimate of HSBC PMI indicated manufacturing activity contracted faster than expected in February. Flash manufacturing PMI estimate came at 48.3 compared to a forecast of 49.4 and previous month's figure of 49.5. A reading below 50 indicates contraction of the industry.



### EUROPE

#### German investor confidence deteriorates; PMI readings disappoint

Investor mood in the largest economy of the Eurozone worsened for the second month in a row in February. ZEW index of investor and analyst expectations dropped to 55.7 this month from 61.7 in January and compared to a forecast of 61.3. At the same time, manufacturing activity in the Eurozone slowed down this month, with flash PMI estimate being at 53 after hitting 54 in January. Flash manufacturing PMIs of Germany and France missed forecasts, coming at 48.5 and 54.7, while analysts expected 49.5 and 56.4, respectively.

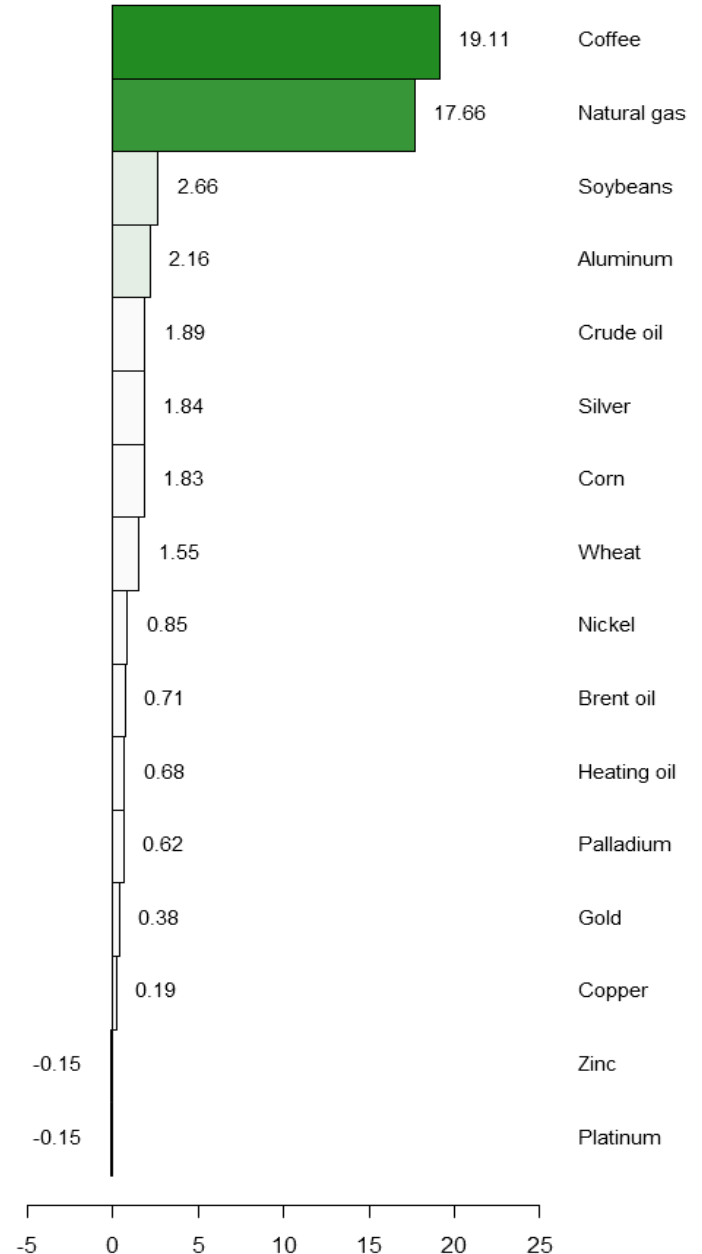


### NORTH AMERICA

#### U.S. housing market shrinks; consumer prices steady

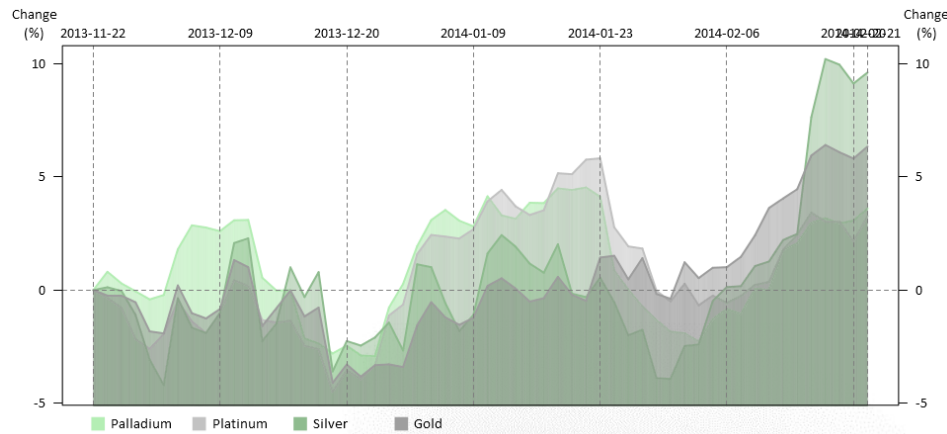
Housing market of the world's top economy showed signs of deterioration last month. Building permits and housing starts dropped to 940,000 and 880,000 units in January compared to expectations of 980,000 and 950,000 units, respectively. Existing home sales plunged to 4.62 million units in January compared to 4.87 million units in December and a forecast of 4.73 million units. At the same time, consumer prices added 0.1%, in line with expectations and at the same pace as in December.

## Weekly Ranked Price Moves (%)





# Precious Metals Mostly Higher On Rising Demand for Safe-Haven Assets



**Gold** was tilted upwards in the first part of the week, surpassing the highest mark in more than three months on Tuesday amid talks that the U.S. economic recovery may decelerate in the months to come. So far this year, gold prices have added circa 10% after posting the biggest decline since 1981 in 2013. Predominating factors pushing gold futures higher have been mixed U.S. data and solid physical demand in Asia.

However, the general demand trend was on the negative side, with gold demand slumping 15% last year as ETF outflows outpaced record buying activity in China and India. As concerns physical demand, lower prices resulted in a 28% increase in bar and coin demand and a 17% jump in jewelry purchasing. For example, gold consumption in Japan almost tripled last year as consumers were seeking a hedge against inflation and weaker yen. In the second part of the week, the yellow metal pared gains after previous rally and closed 0.38% higher on Friday.

**Silver** recorded the longest rally in 45 years last week as demand for cheaper gold's peer rose on speculation that global economic recovery may lose momentum. Safe-haven demand was further propped up by disappointing numbers from the U.S. housing market. Additional support came from strong demand in India as despite several consecutive increases in import duties to 10% last year, silver remained a much cheaper alternative to gold. Silver imports by India more than doubled in the first 11 months of 2013 compared to the whole 2012.

**Platinum and Palladium** were steady amid supply concerns in South Africa where 70,000 workers went on strike over pay. The platinum-group metals also saw support from the demand side, as car purchasing across the globe is recovering at high speed. Platinum and palladium are important components in autocatalyst production.

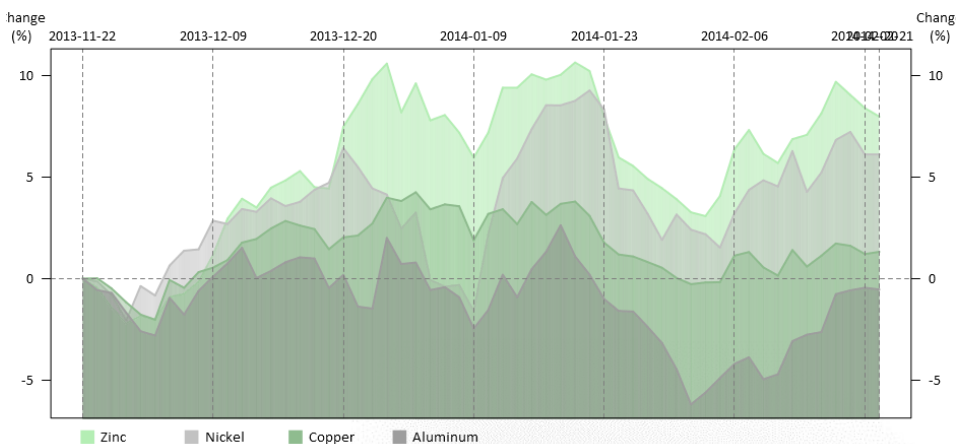
Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	0.38	6.85	6.35	-5.17	-16.31	-16.33
Silver	1.84	9.96	9.62	-8.27	-24.19	-24.4
Platinum	-0.15	-2.36	3.27	-7.38	-13.57	-12.13
Palladium	0.62	-0.89	3.61	-1.15	0.37	0.75

Changes in Total Known ETF Holdings (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-0.06	-0.35	-7.57	-10.9	-31.26	-32.13
Silver	0.37	0.71	-2.57	-2.79	-0.56	-0.28
Platinum	0.48	-0.73	4.03	13.98	58	59.18
Palladium	0.34	-2.27	-2.26	-4.23	-5.85	-4.45

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	1 160	1 785	1 281.76	1 120	1 780	1 265.93	1 060	1 760	1 260.86	990	1 743	1 259.89
Silver	18.25	33	21.67	16.75	34	21.47	17	35	21.85	17.4	34	22.11
Platinum	1 340	1 855	1 519.47	1 300	1 850	1 539.05	1 320	1 850	1 566.16	1 353	1 850	1 594.21
Palladium	660	850	760.85	625	850	769.24	630	850	776.74	605	900	794.29

S&P GSCI Precious Metals Index	%
Weekly	0.54
Monthly	7.22
3 Months	6.7
6 Months	-5.71
12 Months	-19.55

# Industrial Metals Steady On Weak China's PMI data; Aluminum Rallies



**Aluminum** traded higher as ideas over a possible deficit next year were confirmed by further capacity reductions by the world top producers. Recently, Sumitomo Corp. has predicted aluminum market may witness a deficit of 37,000 metric tonnes in 2015 versus an expected supply glut of 312,000 tonnes in 2014. On Tuesday, Alcoa, the world third largest producer, said it will close a smelter in Australia, cutting the firm's capacity to 3.7 million tonnes. Furthermore, United Co. Rusal, the top producer, said its output is likely to slump to 3.5 million tonnes this year compared to 3.9 million tonnes in 2013.

**Copper** erased earlier gains on Wednesday after flash HSBC manufacturing data release showed manufacturing activity in China contracted much more than expected. The red metal has been vulnerable to news from China for the last few weeks amid mixed demand signals from the world top consumer. Imports of unwrought copper gained annualized 53% to 536,000 metric tonnes in January, while in the first 11 months of 2013 total copper imports sagged 5.77%. Moreover, inventories at the Shanghai Futures Exchange rose 18% in January.

**Nickel** prolonged its winning streak on signs that China had bought more metal ore from Indonesia, the world top exporter, before the ban on ore exports came in force. China's imports from Indonesia soared to 6.12 million metric tonnes in January compared to 3.99 million metric tonnes in January 2013. Despite stronger buying, Chinese stockpiles of the metal are likely to last only to the second half of the year, meaning that the country will seek the ways to mitigate effect of the Indonesian ban.

**Zinc** closed 0.15% lower despite persistently falling LME inventories. Inventories at the LME-monitored warehouses slid 2.41% last week and more than 34% year-to-date.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	2.16	-0.73	-0.54	-6.38	-17.04	-15.95
Copper	0.19	-1.71	1.32	-2.05	-9.83	-8.69
Nickel	0.85	-2.89	6.13	-0.92	-16.7	-14.02
Zinc	-0.15	-2.04	7.99	4.12	-4.83	-3.87

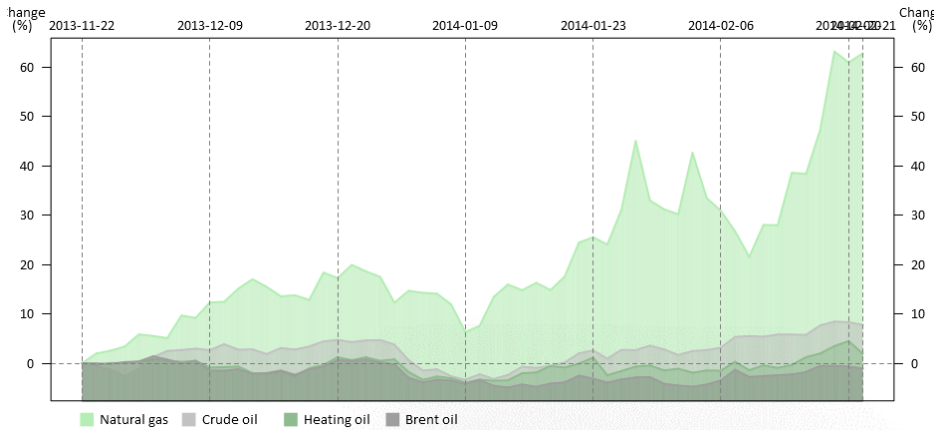
Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.47	-2.2	-1.35	-1.51	3.7	3.65
Copper	-4.61	-13.1	-35.01	-49.43	-34.91	-32.1
Nickel	-0.1	3.07	7.86	27.92	71.33	74.04
Zinc	-2.42	-10.43	-19.84	-23.42	-33.35	-34.11

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	7 246.14	6 000	8 983	7 172.96	5 750	8 762	7 112.89	5 750	8 487	7 104.15
Zinc	1 806	2 315	2 000.04	1 739	2 500	2 019.75	1 626	2 403	2 021.42	1 549	2 500	2 075.17
Aluminum	1 650	2 304	1 845.04	1 631	2 304	1 873.04	1 577	2 271	1 894.31	1 502	2 215	1 931.5
Nickel	13 007	20 611	15 223.12	12 892	20 391	15 184.08	12 312	20 170	15 404.32	11 664	19 950	15 555.24

S&P GSCI Industry Metals Index	%
Weekly	0.55
Monthly	-1.79
3 Months	0.77
6 Months	-4.91
12 Months	-12.92



# Energy Futures Lost Momentum On Milder Weather Forecasts



**WTI and Brent oil** were trading sideways on Monday before performing a sharp rally on Tuesday despite relatively weak U.S. data. Energy futures finished the week on the high note, being supported by the U.S government data, indicating that inventories rose less than expected in the week ended February 14. Crude oil inventories inched up one million barrels compared to expectations of a 2.1-million-barrel gain and previous week's advance of 3.3 million barrels that was larger than a forecast of 2.5-million-barrel climb.

Energy prices also drew some strength from positive fundamentals prevailing in the preceding week. China's oil imports jumped 12% year-on-year to 28.15 million metric tonnes last month. At the same time, the IEA expects global oil demand to rise to 92.4 million barrels per day this year. All in all, WTI and Brent oil closed with 1.89% and 0.71% gains last week, respectively.

**Natural gas** rallied as a storm and snow across the U.S. Midwest increased demand for the fuel at a time when inventories were hovering close to a 10-year low. However, later in the week, the commodity pared gains as weather forecasting agencies called for milder temperatures in the end of February. Meanwhile, the EIA data showed a slightly less than expected drop in the U.S. storage. Stockpiles plunged 250 billion cubic feet versus a prediction of 255 billion cubic feet and a preceding week's slump of 237 billion cubic feet.

**Heating oil** edged higher last week; however, the advance may be halted in the weeks to come given that demand hopes started to fade away amid milder weather forecasts across the U.S. At the same time, medium-term trend remains positive for the fuel, with heating oil adding 2.02% on a monthly basis.

### Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	1.89	5.65	7.76	-3.97	5.98	8.62
Brent oil	0.71	1.46	-1.08	-1.07	-2.47	-0.71
Natural gas	17.66	30.84	62.82	76.04	74.29	75.64
Heating oil	0.68	2.02	1.9	0.14	-1.85	-0.22

### Changes in U.S. inventories (%)

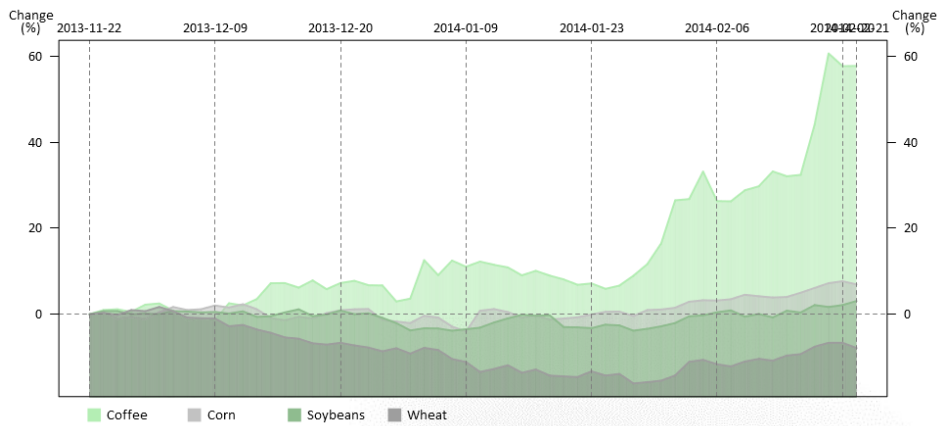
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	0.27	3.45	-6.73	0.91	-3.74	-2.66
Gasoline	0.13	0.11	11.76	6.87	1.33	0.07
Natural Gas	-14.77	-42.96	-61.92	-52.89	-39.88	-42.9
Distillate Fuel	-0.3	-9.06	0.16	-12.86	-8.82	-10.47

### 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	96.54	85	109	95.24	80	112	96.07	70	114	94.56
Natural gas	65	72	70.07	62	65	63.37	62	65.1	63.28	70	72.71	70.94
Heating oil	289	300	293	273	298	281.25	280	299	287.75	287	290	289
Brent oil	90	118.5	105.77	90	117.5	103.49	90	119	103.75	85	122	102.23

S&P GSCI Energy Index	%
Weekly	2.95
Monthly	8.62
3 Months	3.17
6 Months	-0.63
12 Months	-10.21

# Agricultural Commodities Remain in Positive Zone After USDA Report



**Wheat** traded in the green zone in the beginning of the week despite weak U.S. export data. U.S. farmers sold 226,507 million tonnes, down almost 200,000 tonnes on a weekly basis. However, the grain demonstrated resilience to negative fundamentals in the end of the week. According to the USDA, U.S. wheat inventories will gain 587 million bushels before the 2015 harvest versus previous estimate of 558 million bushels. Output may add 1.4% to 2.16 billion bushels, while exports may decline 11% to 1.05 billion bushels.

**Corn** hit a four-month high in the first trading sessions of the week as heat wave in Brazil continued threatening the country's output. Furthermore, demand for U.S. grains remained strong as reflected in a 130,000-tonne climb in the country's exports. Unrest in Ukraine was another factor boosting corn prices as customers are likely to seek alternative suppliers. However, the USDA data restricted gains in corn prices. The U.S. government expects corn yields to advance 1.4% this year, with output hitting a record of 13.985 billion bushels in 2014.

**Soybeans** were vacillating near a two-month high as drought in Brazil, the world's largest exporter, may reduce output. Solid demand for U.S. oilseed also was at a play, with U.S. exports totaling 1.47 million metric tonnes in the week ended February 7, up 32% year-on-year. Referring to unfavorable weather conditions in Brazil, Oil World said it expects global soybean inventories to add 12 million to 13 million tonnes at the end of the current season compared to 16-million-tonne increase projected in January.

**Coffee** surged the most in a decade on Tuesday, recording a weekly gain of 19.11% as drought in Brazil is curbing output of the world's largest producer. Coffee futures are likely to extent rally in the days to come as MDA Weather predicts dry and hot weather to persist in Brazil next week.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	1.55	7.88	-7.84	-6.27	-19.93	-17.79
Corn	1.83	7.68	6.93	-2.34	-18.25	-17.15
Soybeans	2.66	6.31	3.09	2.43	5.69	6.52
Coffee	19.11	47.58	57.67	44.81	15.35	15.27

USDA Wasde Total Estimated Inventories						
	Forecast	Today	Month	3 Months	6 Months	YTD
Soybens	0	170	13.33	-35.85	21.43	-8.11
Green Coffee	0	72225.22	0	0	-3.83	-6.98
Corn	-1.14	164330	8.53	6.27	39.27	27.23
Wheat	2.41	178480	1.25	-4.24	2.47	3.46

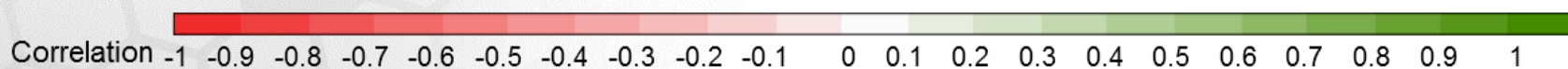
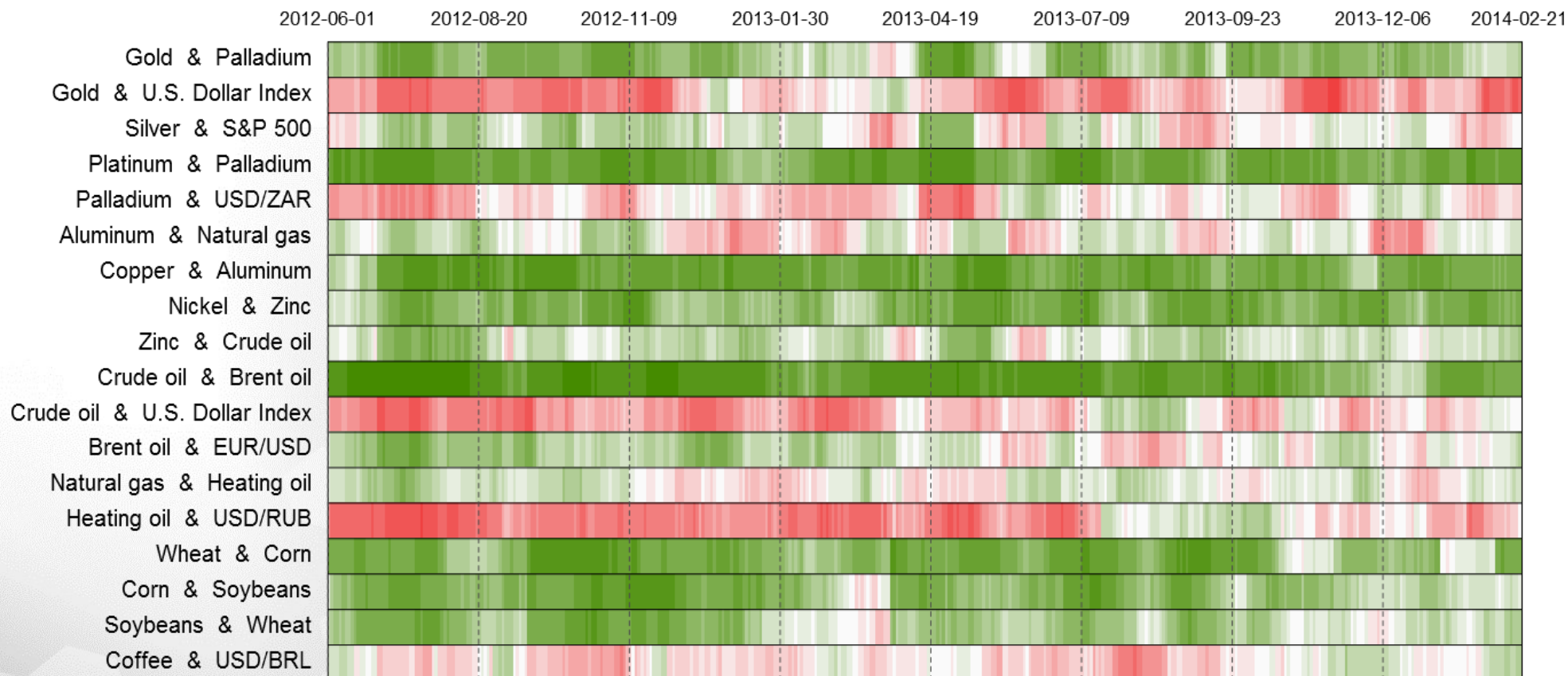
Farm Commodities Long-Term Price Forecasts (USD)												
	Q1 14			Q2 14			Q3 14			Q4 14		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Corn	425	580	459.31	420	590	475.45	410	600	481.82	380	650	486.85
Coffee	105	140	124.17	107	150	127.73	112	150	129.4	110	150	129.6
Wheat	571.41	720	619.58	550	750	621.91	525	750	634.58	500	750	633.85
Soybeans	1 100	1 350	1 284.82	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	1.65
Monthly	4.52
3 Months	4.56
6 Months	0.76
12 Months	5.18



# Correlation Matrix

## Correlation

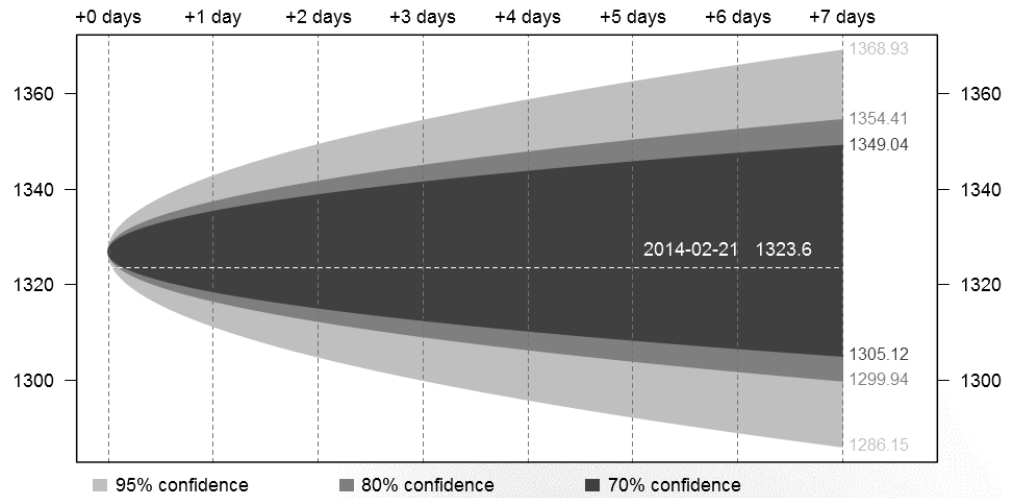




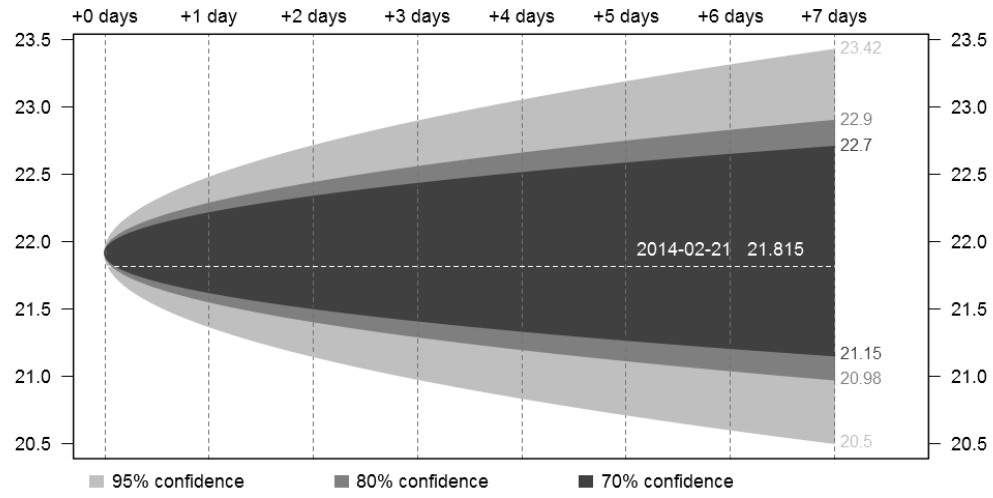
# Precious Metals Confidence Intervals for the Next 7 Days

Monday, February 24, 2014  
15:30 GMT

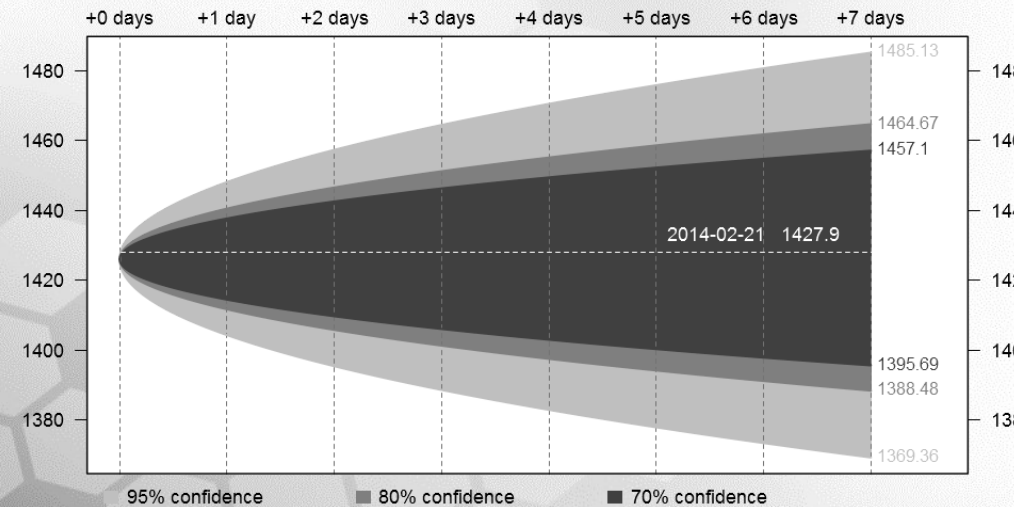
Gold Potential Rates



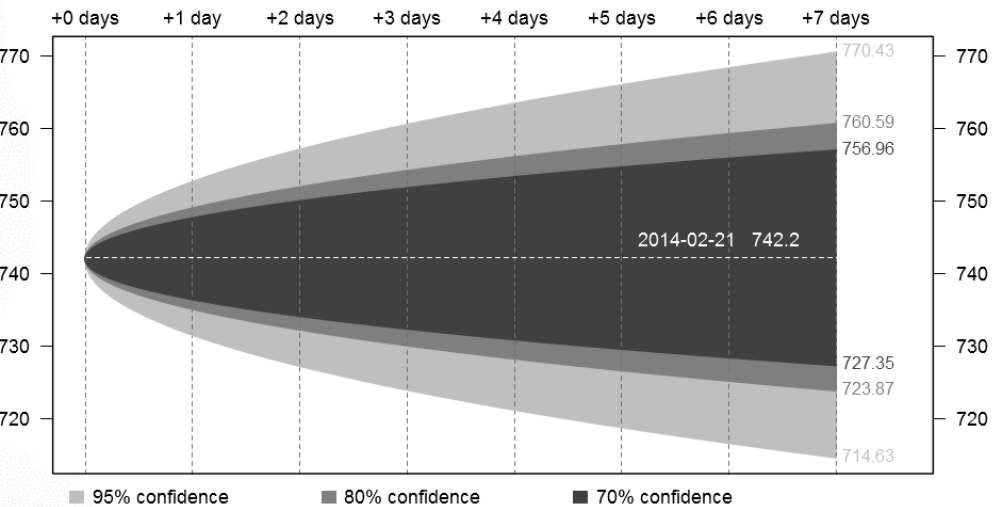
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates



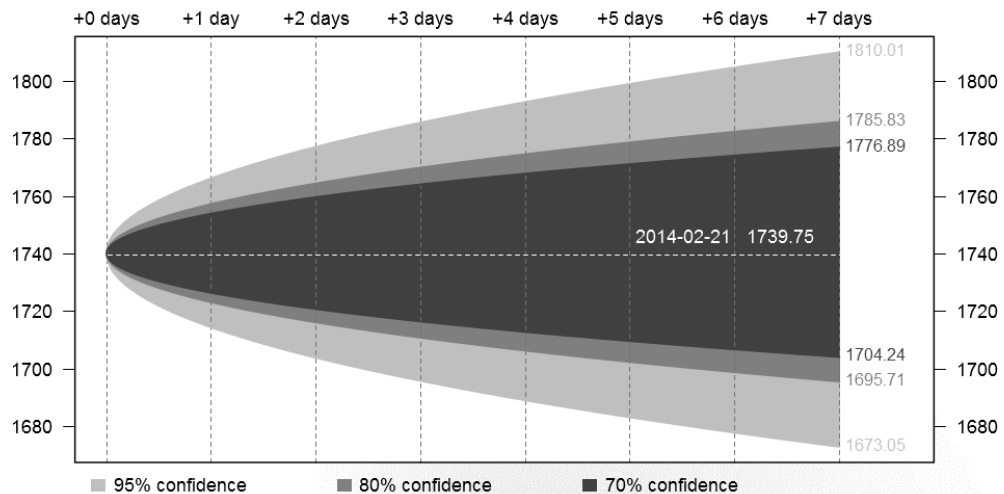


# Industrial Metals Confidence Intervals for the Next 7 Days

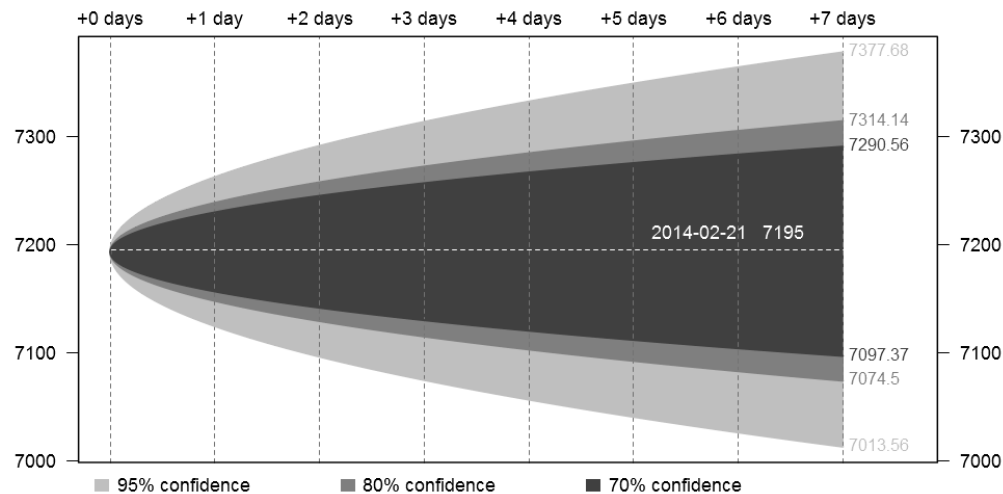
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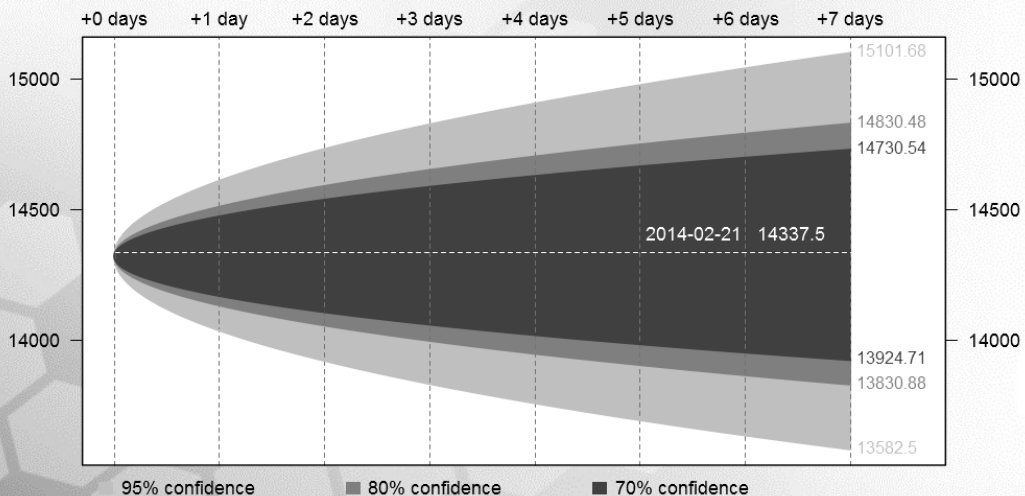
Aluminum Potential Rates



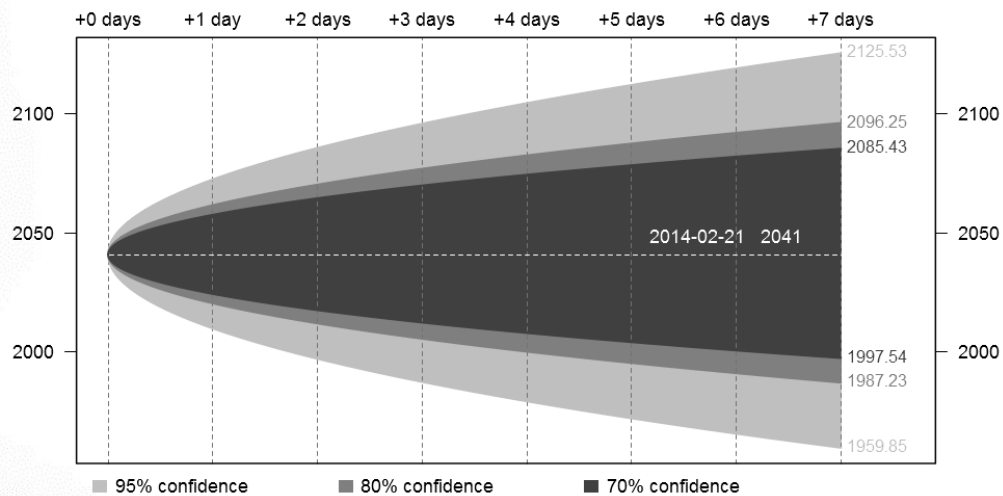
Copper Potential Rates



Nickel Potential Rates



Zinc Potential Rates

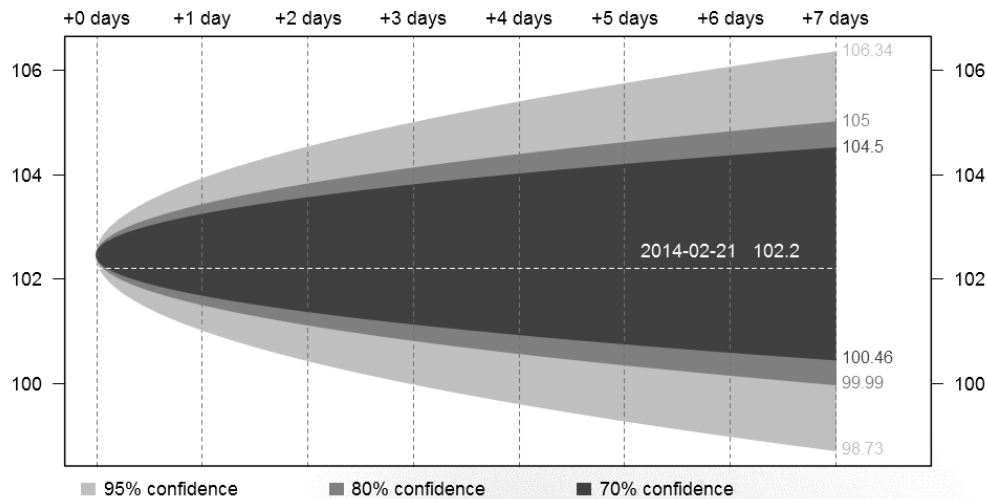


# Energy Confidence Intervals for the Next 7 Days

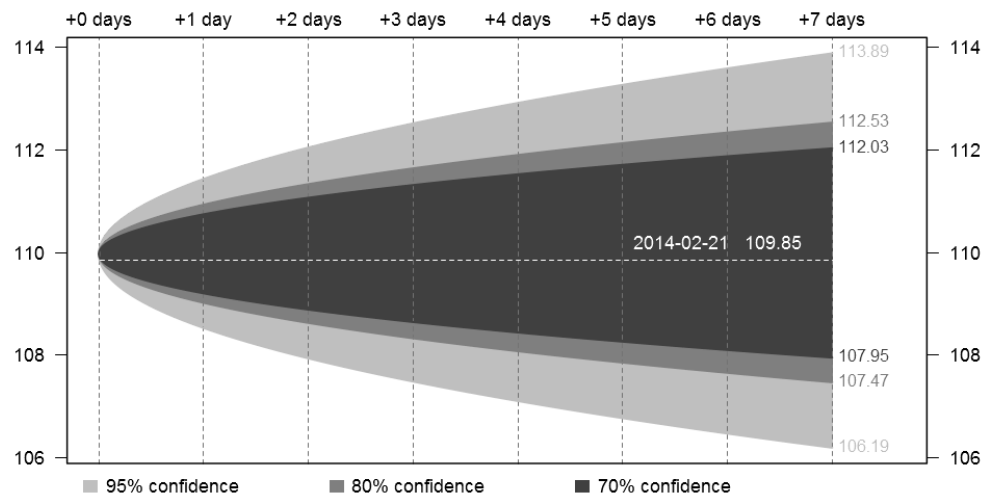
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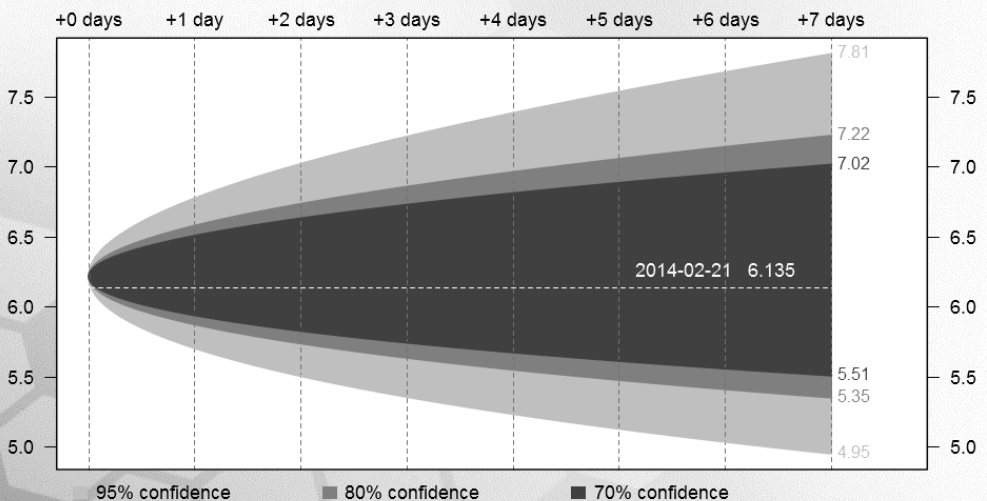
Crude.oil Potential Rates



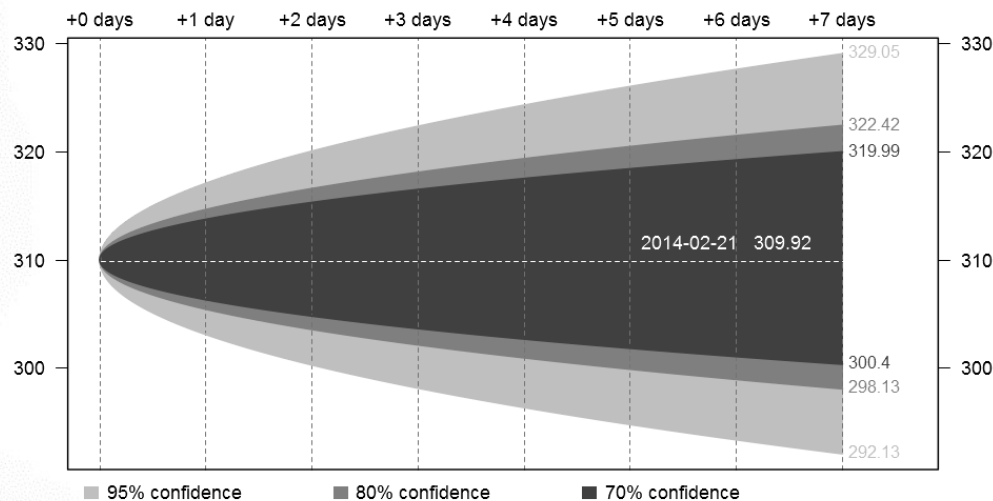
Brent.oil Potential Rates



Natural.gas Potential Rates



Heating.oil Potential Rates



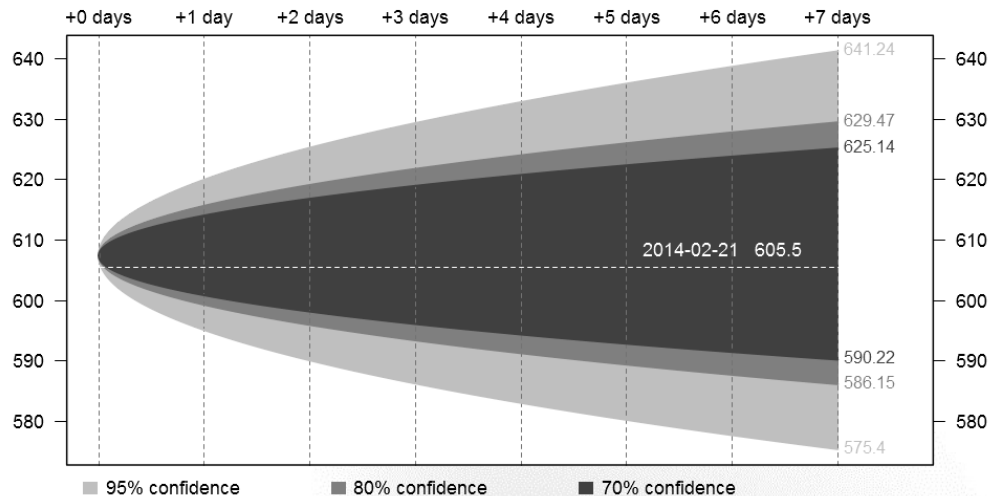


# Agriculture Confidence Intervals for the Next 7 Days

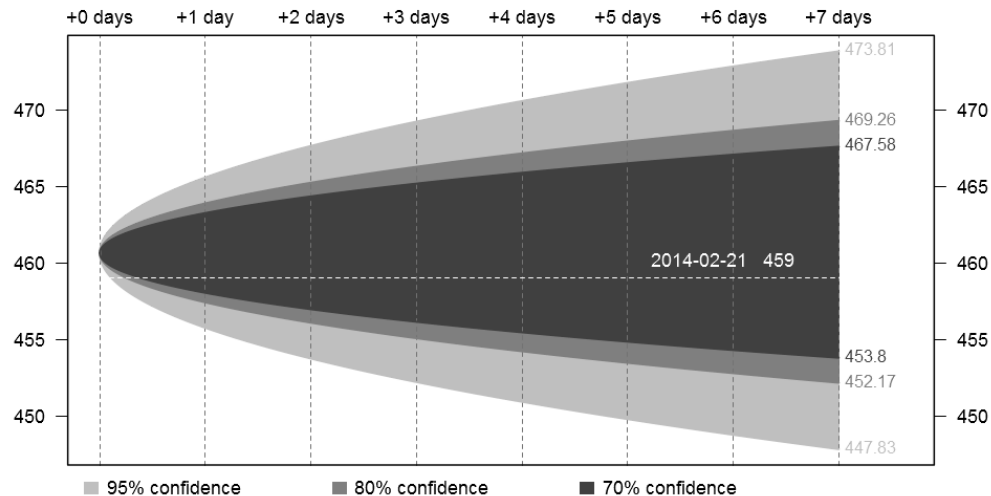
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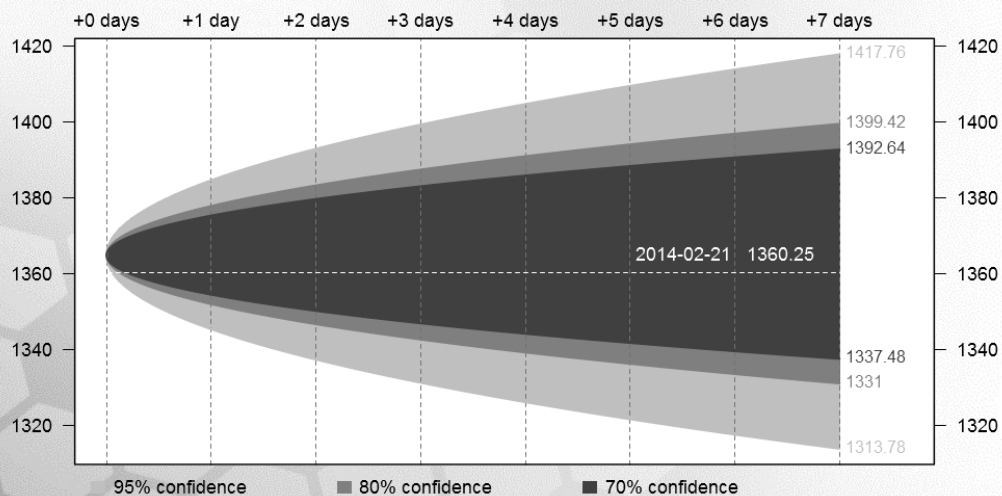
Wheat Potential Rates



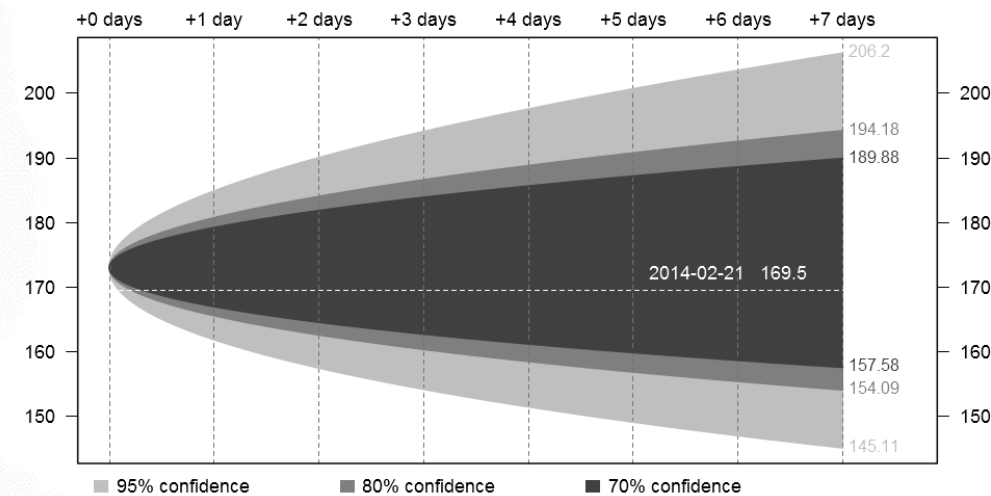
Corn Potential Rates



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
- Global Stock Market Review
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