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RESEARCH PRODUCTS

17/03/2014



Weekly Commodity Overview

Market Highlights



ASIA-PACIFIC REGION

Chinese economy cools; inflation leaves room for easing

China's inflationary pressure decreased last month, leaving a room for policy easing at a time when the world's second largest economy slows down. Consumer prices increased at the slowest pace in more than a year in February, with CPI adding only 2% compared with January reading of 2.5% and expectations of 2.1%. Meanwhile, lending activity in the country also slowed last month. China's banks issued 633.5 billion yuan worth of new loans in February versus a forecast of 716 billion yuan and 1.3 trillion yuan in January. Furthermore, industrial output was on the negative side, with industrial production adding 8.6% in February, below market consensus of a 9.5% gain and January figure of a 9.7% jump.



EUROPE

European economy shows signs of weakness

Industrial production in the currency bloc unexpectedly shrank in January, solidifying the view that recovery of the region remains fragile. Industrial output slumped 0.2% in the first month of the year after falling 0.4% in December and compared to estimates of a 0.6% increase. Adding to the downside risks, a possible destabilization in the region that may be caused by turmoil in Ukraine is likely to dominate the markets in the weeks to come.

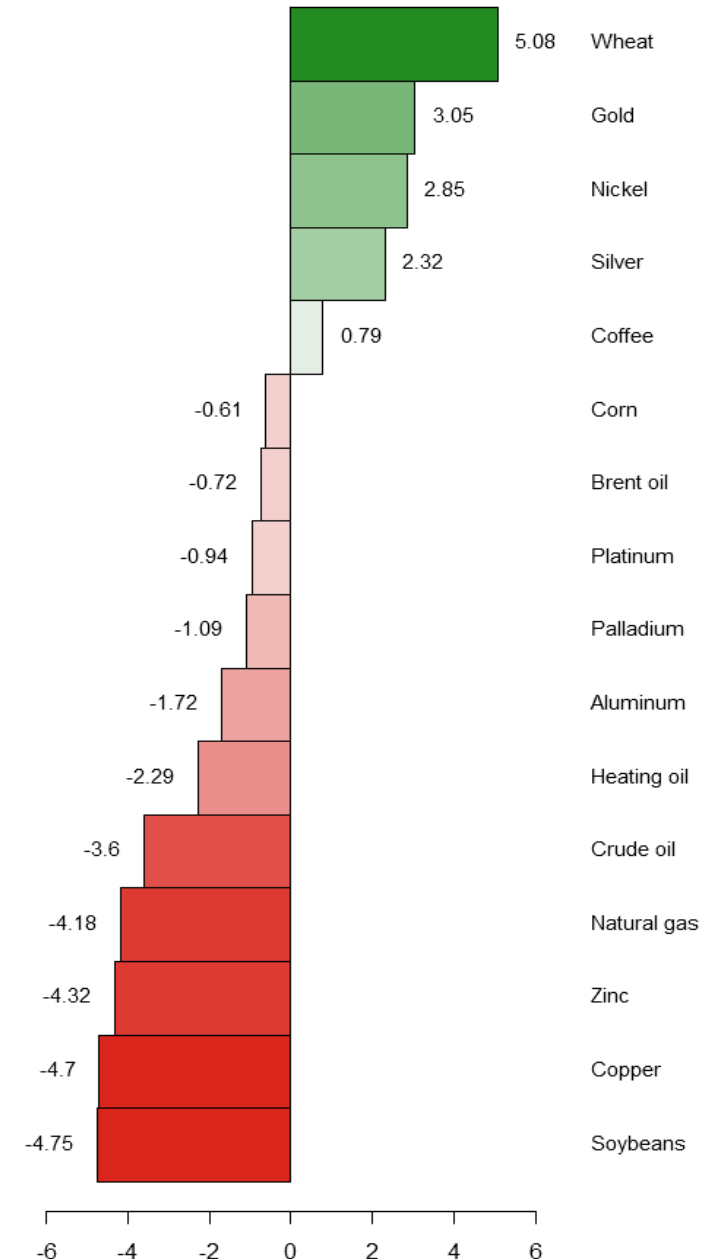


NORTH AMERICA

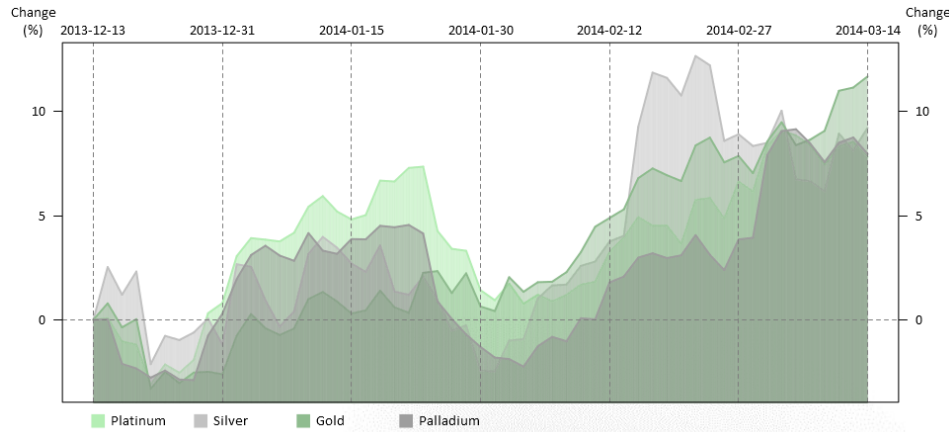
U.S. retail sales and jobless claims data outshine expectations

U.S. retail sales rose for the first time in three months in February, recording a gain of 0.3% after a 0.6% drop in the preceding month. Core retail sales, which exclude automobile sales, also added 0.3%, above expectations of a 0.2% increase and compared to a 0.3% decline in January. Jobs market data surprised positively last week-the number of Americans applying for jobless benefits slumped 9,000 to the lowest mark since late November of 315,000. Meanwhile, consumer mood in the world's biggest economy unexpectedly deteriorated early this month.

Weekly Ranked Price Moves (%)



Precious Metals Gold Gains on Ukraine Woes; Platinum Ends Rally



Gold remained in the up-trend last week, soaring to a six-month high on Wednesday as geopolitical tensions re-escalated thus boosting demand for safe-haven assets. Ukrainian peninsula, Crimea, was preparing for a referendum on joining Russia took place on March 16. Results showed that over 95% of voters supported joining Russia. At the same time, western countries consider the referendum illegitimate and call for economic sanctions against Russia whose troops still remain on the peninsula.

However, the bullion's upside was restricted by worries that the current advance in prices has already started to erode support pertaining to solid physical demand in Asia. According to the latest forecasts, China, the world top importer, may see its demand falling up to 17% in the current quarter amid rising prices and faltering growth of the national economy.

Silver gains were muted, with the metal closing up 2.32% last week. The grey metal was hit by signs of slowing global economic progress that despite raising demand for safe-haven assets weighted heavily on industrial consumption prospects for the precious metal. At the same time, gold's strength as well as improving investment demand propped up silver futures. Holdings in total known ETF's backed by silver grew more than 1.5% moth-to-date.

Platinum and Palladium halted the run of gains despite persistent supply worries. Strikes in South Africa continued last week thus pushing production losses of the largest mining companies above those from labour disputes in 2012. Producers have lost around 499,000 ounces already and there are no signs that stoppages are going to end soon. Meanwhile, Impala Platinum Holdings, the second biggest producer, said that it cannot ensure supplies starting from April.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	3.05	6.49	11.7	5.38	-13.38	-13.5
Silver	2.32	5.27	9.23	-1.41	-26.34	-25.96
Platinum	-0.94	4.43	7.83	1.74	-8.1	-7.93
Palladium	-1.09	6.06	7.97	10.61	0.1	0.16

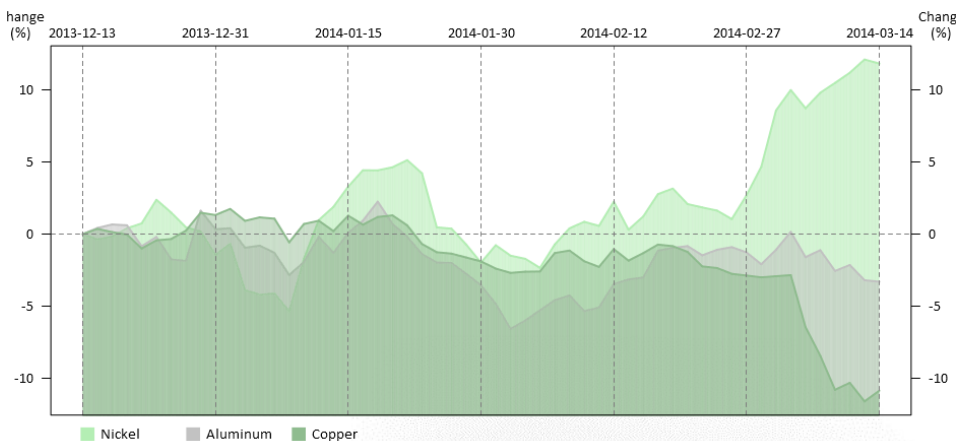
Changes in Total Known ETF Holdings (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	0.7	1.66	-2.59	-8.96	-28.34	-28.52
Silver	0.04	1.59	0.66	-1.53	0.55	-0.07
Platinum	0.58	2.7	1.21	13.34	61.43	62.05
Palladium	0.81	-0.62	-1.88	-4.89	-5.86	-6.35

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	1 288.97	1 120	1 780	1 277.29	1 060	1 760	1 273.03	990	1 743	1 271.83
Silver	18.25	33	21.51	16.75	34	21.37	17	35	21.71	17.23	34	21.94
Platinum	1 340	1 855	1 507.68	1 300	1 850	1 538.23	1 320	1 850	1 565.36	1 353	1 850	1 590.86
Palladium	660	850	754.86	625	850	768.36	630	850	780.96	657	900	801.21

S&P GSCI Precious Metals Index	%
Weekly	2.96
Monthly	6.32
3 Months	11.33
6 Months	4.35
12 Months	-16.44

Industrial Metals Mostly Lower As Risky Assets Lose Favour



Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-1.72	0.17	-3.29	-2.69	-13.01	-13.38
Copper	-4.7	-9.9	-10.84	-7.46	-16.79	-16.92
Nickel	2.85	9.35	11.8	13.7	-7.44	-8.94
Zinc	-4.32	-2.66	-0.43	7.34	-1.13	-0.74

Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.94	-2.14	-2.93	-1.96	0.39	1.37
Copper	-6.58	-16.8	-36.06	-56.49	-54.06	-51.88
Nickel	0.14	0.87	6.26	24.65	66.62	67.66
Zinc	2.82	-1.81	-13.13	-18.84	-33.67	-33.88

Aluminum closed lower last week amid demand-side pressure. China's central bank recently cut reserve ratios for lenders in the following quarter, citing downside risks for the economy. Meanwhile, confrontation in Ukraine worsened putting a drag on growth-sensitive commodities. Notwithstanding this, the lightweight metal managed to limit its losses amid ideas that structural changes in the aluminum markets are likely to result in a deficit this year. Total production cuts that started late 2012 wiped 2.4 million tonnes of output thus possibly pushing markets to a deficit of 1.3 million tonnes this year.

Copper was slumping during the most of the week amid geopolitical tensions and recent weak manufacturing and export data from China. At the same time, there was some good news for the red metal, too. A surplus of the metal expected this year is likely to be smaller than estimated, said Wood Mackenzie Ltd. Output may exceed consumption by circa 300,000 tonnes this year amid strikes in Chile and an Indonesia's export ban. European demand for the base metal is also on the rise, with consumption being set to add 1.8% in 2014 after gaining 0.5% in 2013, according to Barclays Plc.

Nickel inched up 2.85% on a weekly basis, despite signs that large stockpiles in China are reducing the effect of Indonesia's export ban. China's imports of the unwrought nickel dropped 16.37% year-on-year in December. Despite a fall in total imports, China purchased more metal from Indonesia just before the export ban came in force. Inbound shipments from Indonesia soared above 50% in December.

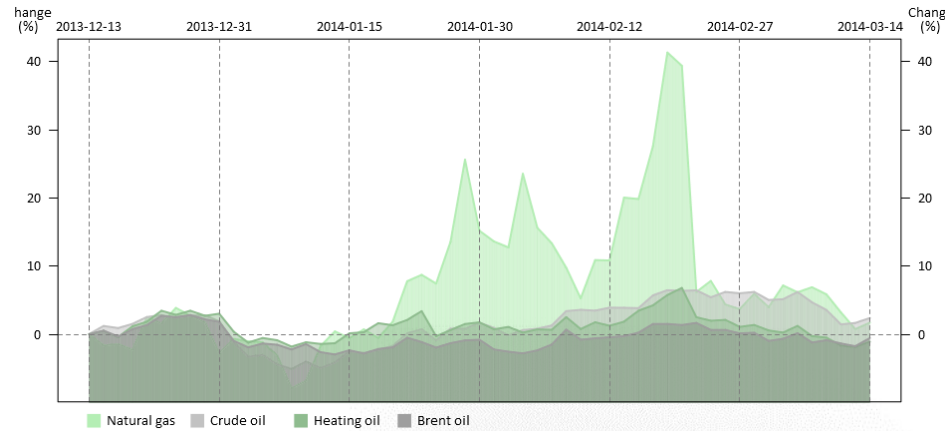
Zinc witnessed the first gain in seven days on Thursday on talk that a recent dive to more than a one-month low will boost appeal of the metal. However, the advance did not erase earlier losses and the metal closed lower 4.32% last week.

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	7 238.07	6 000	8 983	7 173.87	5 750	8 762	7 088.5	5 750	8 487	7 066.34
Zinc	1 825	2 315	2 020.26	1 720	2 500	2 035.33	1 608	2 403	2 042.93	1 532	2 500	2 095.04
Aluminum	1 650	2 304	1 818.93	1 608	2 304	1 854.93	1 536	2 271	1 880.86	1 463	2 215	1 920.18
Nickel	13 007	20 611	15 103.33	13 007	20 391	15 180.96	12 771	20 170	15 406.48	12 098	19 950	15 581.48

S&P GSCI Industry Metals Index	%
Weekly	-2.95
Monthly	-4.57
3 Months	-6.33
6 Months	-4.9
12 Months	-13.55

Energy Futures Sharply Lower on Rising U.S. Supplies; Spring Weather



WTI and Brent oil were losing ground, stating the week near a three-week low amid reports that China's exports plunged 18% last month compared to expectations of over 7% increase. This added to signs that long-held worries over cooling China's economy may fulfill in the months to come. In February, the second-largest economy purchased 23.05 million metric tonnes of crude oil, a 18% decline from the record-high hit in the preceding month. Another drag on prices was fading support from supply insecurity amid political turmoil in Ukraine. A test sale of five million barrels from the Strategic Petroleum Reserve in the U.S. also contributed to a fall in energy prices.

The EIA report did not bring any relief to the downward tilted energy futures, showing that U.S. inventories climbed much more than expected in the week ended March 7. Crude oil stocks surged 6.2 million barrels in the above-stated period, while experts called for a 2.3-million-barrel rise. In the preceding week, U.S. inventories also posted a larger-than-expected increase of 1.4 million barrels.

Natural gas extended loses last week as spring brought above normal temperatures in the U.S. thus reducing demand for the heating fuel. On Thursday, after the release of the EIA inventory update, the commodity continued to descend as a drop in supplies was mostly in line with the forecast. Supplies fell 195 billion cubic feet versus estimates of a 199-billion-cubic-foot decline and a previous week's drop of 152 billion cubic feet.

Heating oil futures were hit by a smaller-than-predicted fall in the U.S. inventories in the week ended March 7. Distillate fuel supplies, which include heating oil and diesel, edged down 500,000 barrels compared to an expected decline of 900,000 barrels. Warmer weather also weighed on the commodity prices.

Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	-3.6	-1.47	2.37	-8.61	6.06	5.54
Brent oil	-0.72	-0.13	-0.57	-3.12	1.33	0.88
Natural gas	-4.18	-8.23	1.7	20.34	15.57	12.11
Heating oil	-2.29	-2.3	-1.1	-5.48	-1.62	-1.94

Changes in U.S. inventories (%)

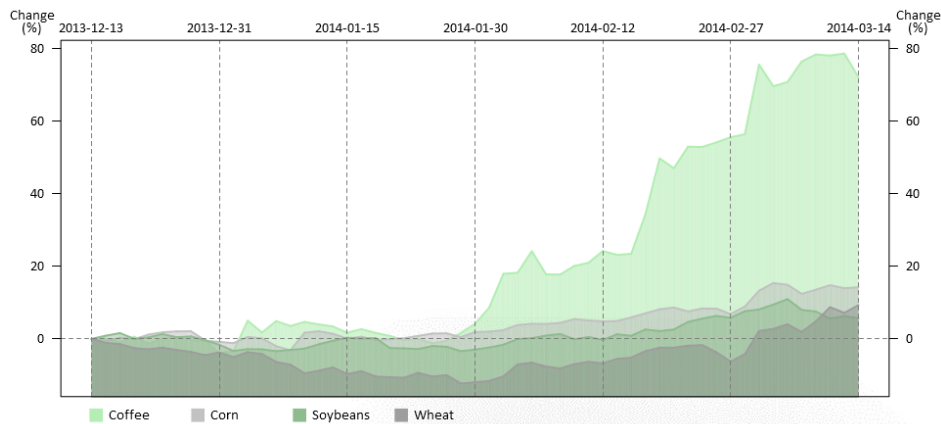
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	1.7	3.33	-1.4	2.78	-3.64	-2.98
Gasoline	-2.28	-4.76	2.11	2.81	-0.24	-1.8
Natural Gas	-16.3	-47.95	-71.67	-69.23	-48.35	-51.94
Distillate Fuel	-0.47	0.13	-3.49	-13.79	-5.39	-5.33

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	90	107	97.16	85	109	95.6	80	112	96.61	70	114	94.99
Natural gas	65	72	70.07	62	65	63.37	62	65.1	63.28	70	72.71	71.2
Heating oil	289	300	293	273	298	281.25	280	299	287.75	287	290	289
Brent oil	100	118.5	106.33	95	117.5	103.83	90	119	104.19	85	122	102.53

S&P GSCI Energy Index	%
Weekly	-0.15
Monthly	10.95
3 Months	11.63
6 Months	5.47
12 Months	-6.22

Agricultural Commodities Mixed after Wasde; Rains in Brazil Lend Support



Wheat started the week on the slightly negative note after Wasde showed that the USDA upgraded its Russia' export estimate by one million tonnes to 17.5 million tonnes in 2013/14, being silent about possible sanctions against Russia. In fact, Ukraine-Russia standoff was the key factor granting risk premium to the grains. Ukrainian agriculture ministry said that spring seedings stood at 46,600 hectares versus 300,000 hectares last year. The ministry also warned that Crimea remains mostly unseeded that may result in a loss of 765,000 tonnes of output for the country.

Corn gained inspiration on a recent cut in the ending U.S. inventories. The USDA downgraded ending stocks below market consensus. Also supporting prices, corn growing regions in Brazil are under risk again. Rains are likely to return to the South America country thus preventing farmers from plantings of the crop already adversely affected by the drought earlier in the season. Despite strong supply-side support, the grain ended the week with a 0.61% decline.

Soybeans were weaker, ending with a 4.75% loss as previous rally was seen eroding demand from China, the world's largest importer. China purchased 4.81 million metric tonnes in February versus 2.9 million metric tonnes in February 2013. However, the country cancelled around 245,000 tonnes of the U.S. oilseed and may cancel 15 cargoes from Brazil amid rising prices.

Coffee retained its appeal as rains in the top producing areas in Brazil are not likely to improve prospects of the drought-stricken coffee crops. The country's output may drop to 40 million bags next season versus 47.7 million bags this season. Despite maintaining the upswing, coffee lost momentum in last trading sessions of the week on profit-taking and ideas about recovering production in Colombia, the second biggest coffee grower.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	5.08	17.23	9.3	7.13	-3.71	-5.14
Corn	-0.61	8.97	14.22	5.88	-12.43	-13.1
Soybeans	-4.75	6.01	5.69	0.51	9.98	10.22
Coffee	0.79	38.6	72.15	65.33	36.03	36.83

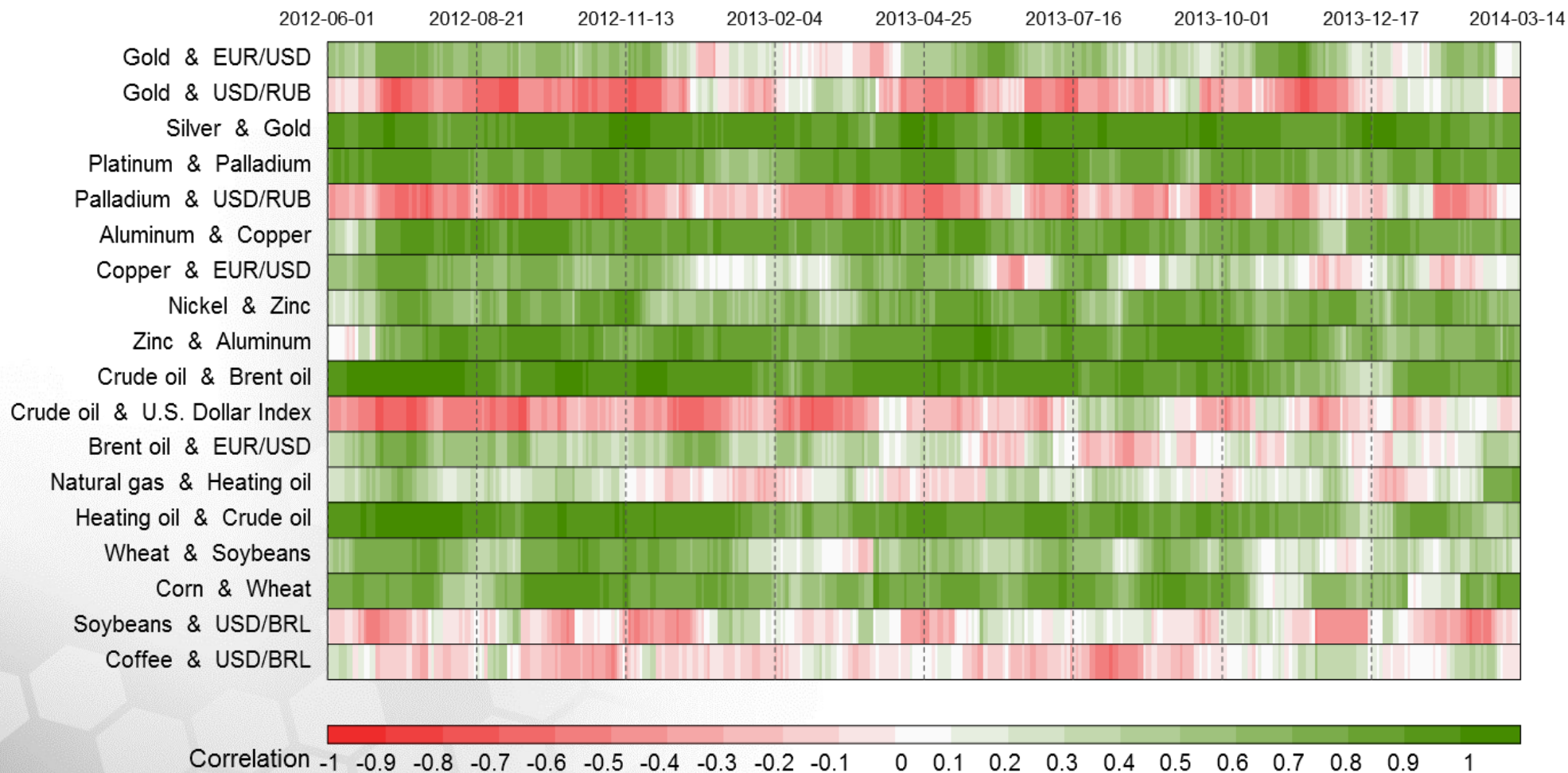
USDA Wasde Total Estimated Inventories						
	Forecast	Today	Month	3 Months	6 Months	YTD
Soybens	0	170	13.33	-35.85	21.43	-8.11
Green Coffee	0	72225.22	0	0	-3.83	-6.98
Corn	-1.14	164330	8.53	6.27	39.27	27.23
Wheat	2.41	178480	1.25	-4.24	2.47	3.46

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	400	580	455.74	380	590	469	370	600	472.5	350	650	475.03
Coffee	105	170	130.17	107	165	132.73	112	160	133.4	110	150	131.6
Wheat	571.41	720	616.04	550	750	615.27	525	750	626.8	500	750	629.63
Soybeans	1 260	1 400	1 318.8	1 200	1 400	1 295.2	1 100	1 350	1 248.3	1 000	1 400	1 202.3

S&P GSCI Agriculture Index	%
Weekly	-1.79
Monthly	-0.48
3 Months	1.9
6 Months	-3.04
12 Months	4.97

Correlation Matrix

Correlation

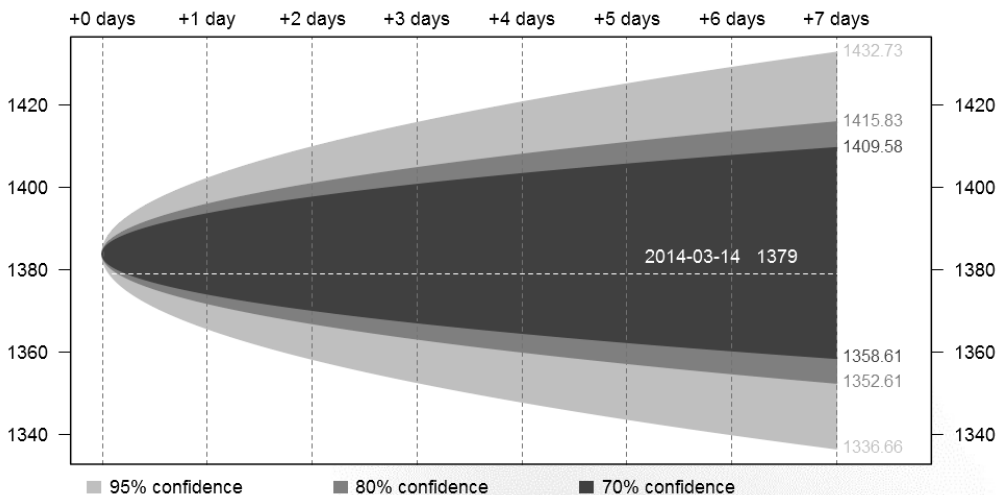


Precious Metals Confidence Intervals for the Next 7 Days

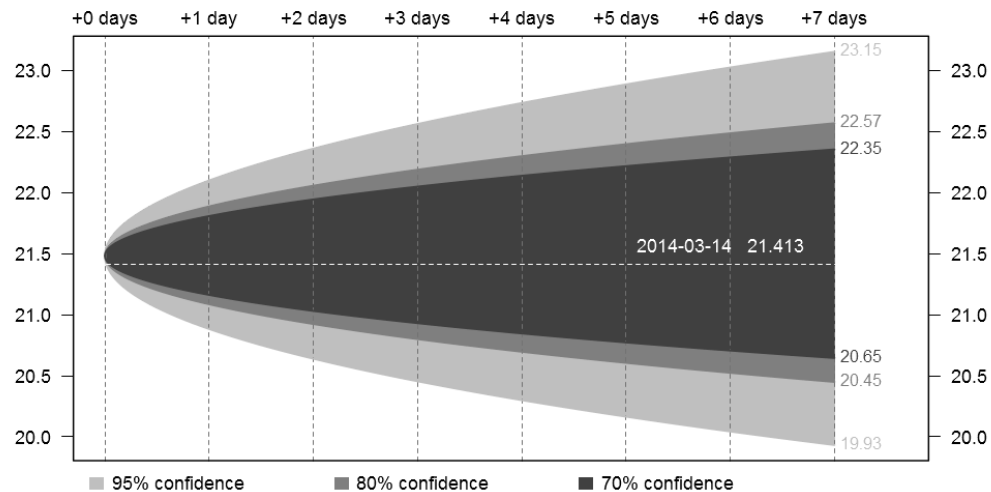
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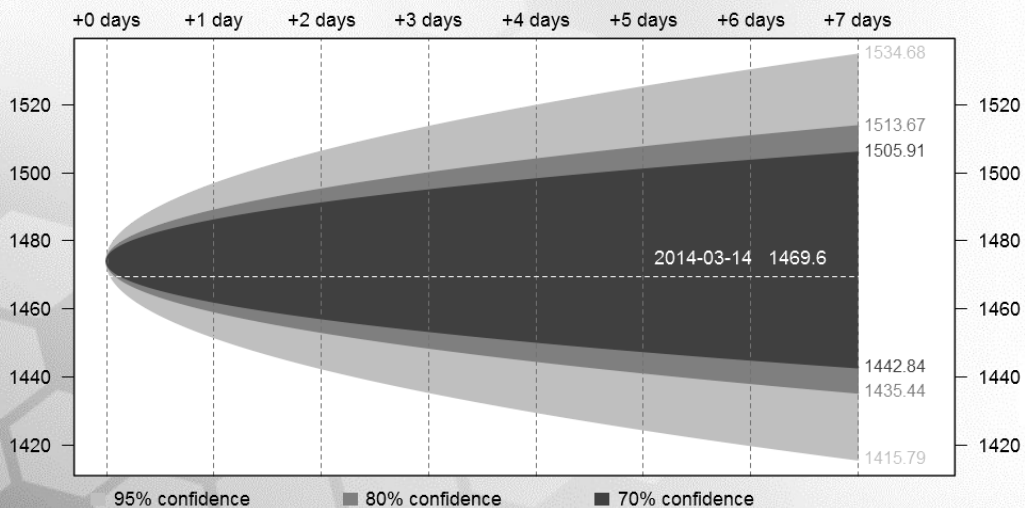
Gold Potential Rates



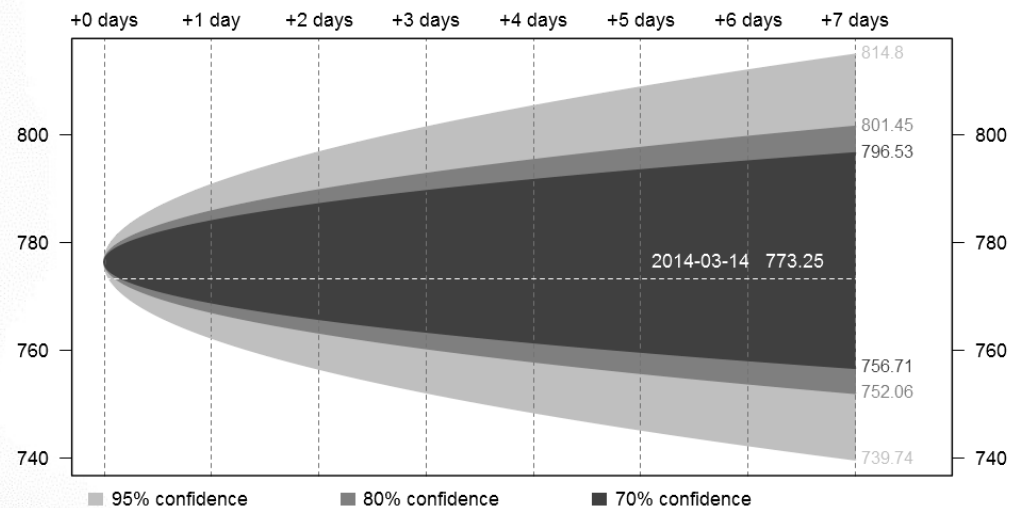
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates

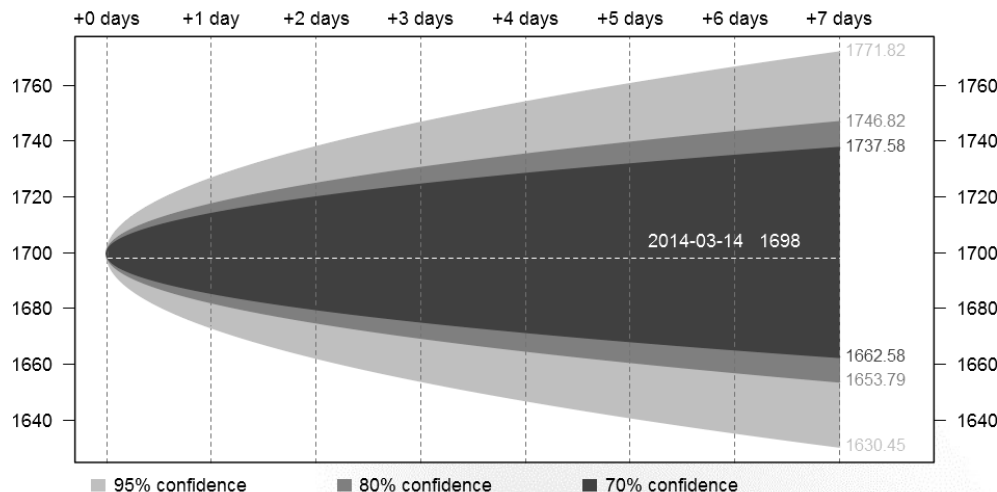


Industrial Metals Confidence Intervals for the Next 7 Days

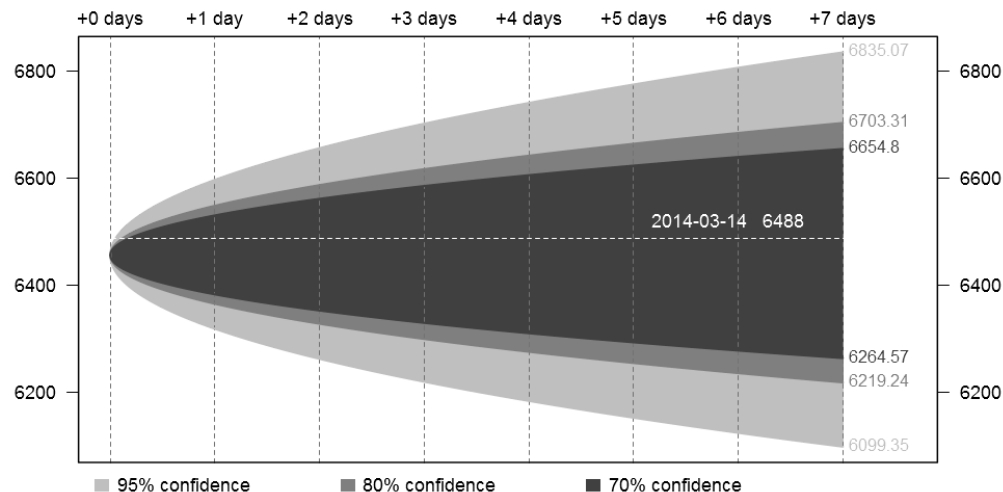
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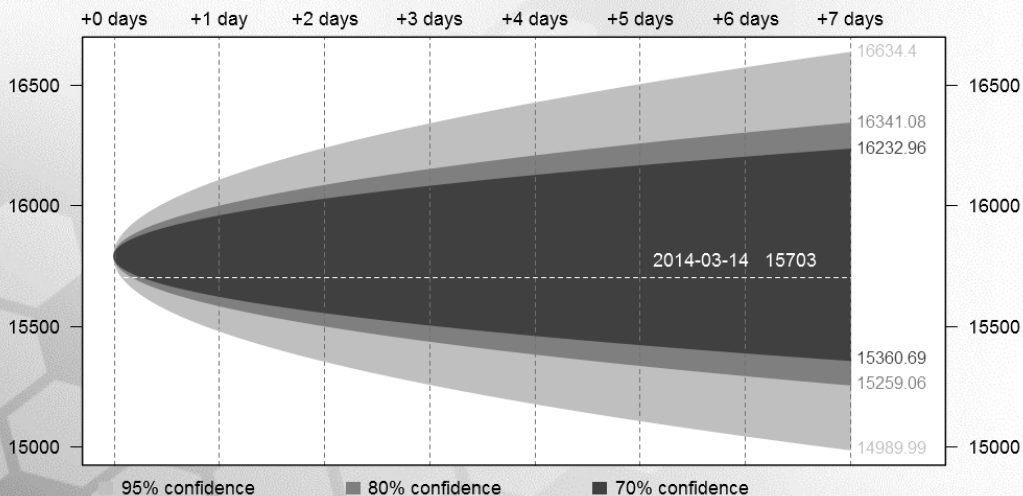
Aluminum Potential Rates



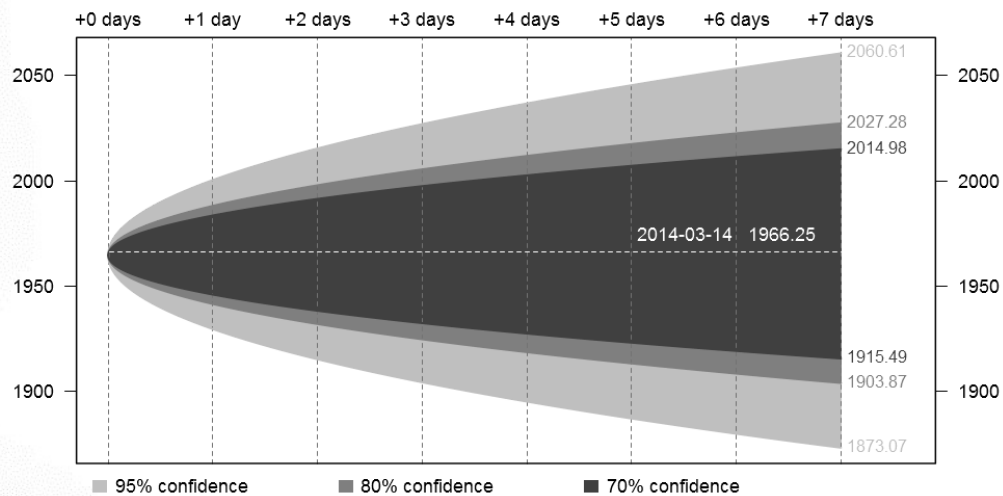
Copper Potential Rates



Nickel Potential Rates



Zinc Potential Rates

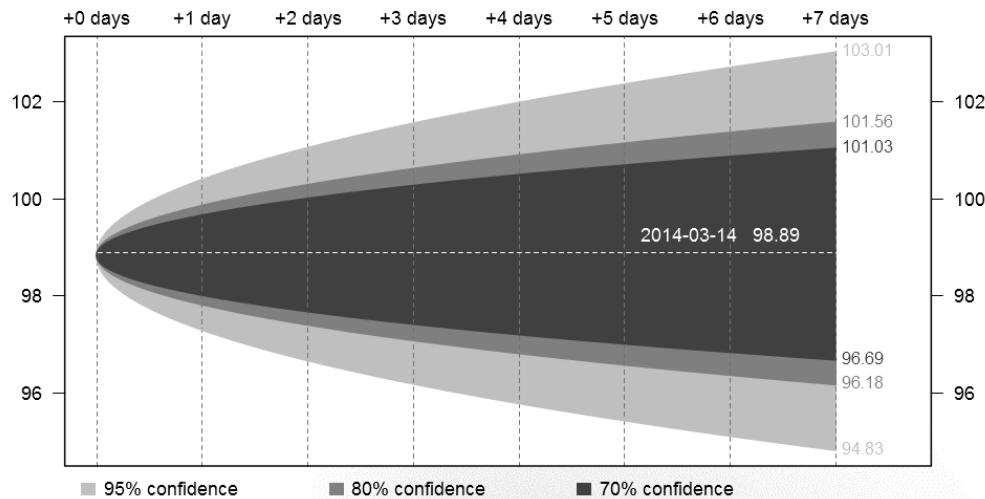


Energy Confidence Intervals for the Next 7 Days

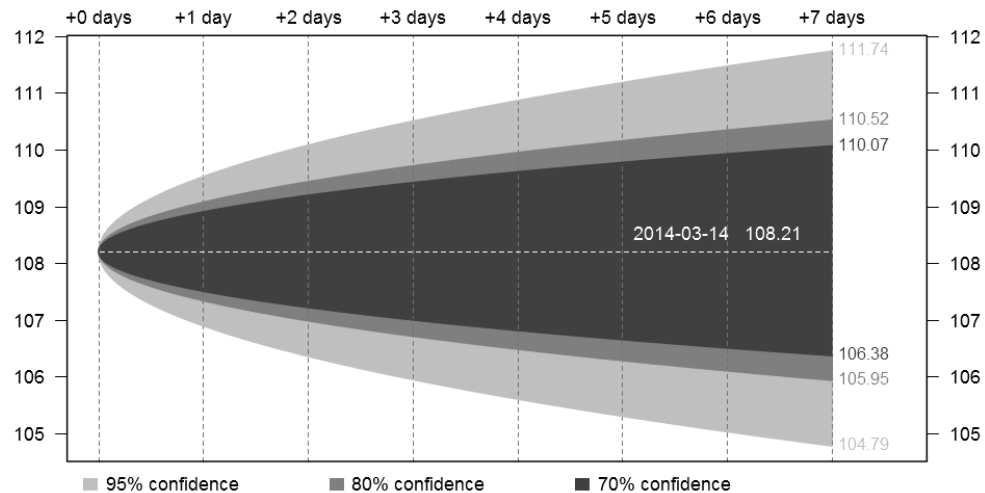
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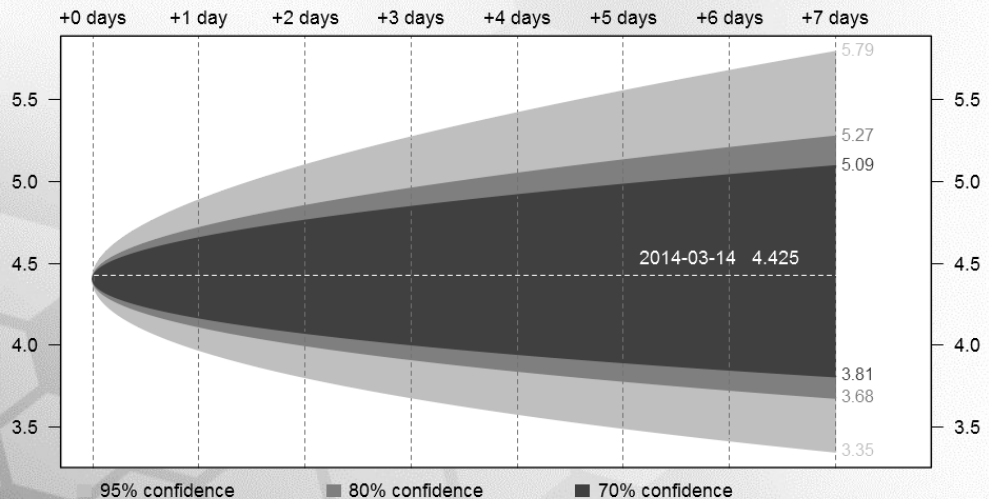
Crude.oil Potential Rates



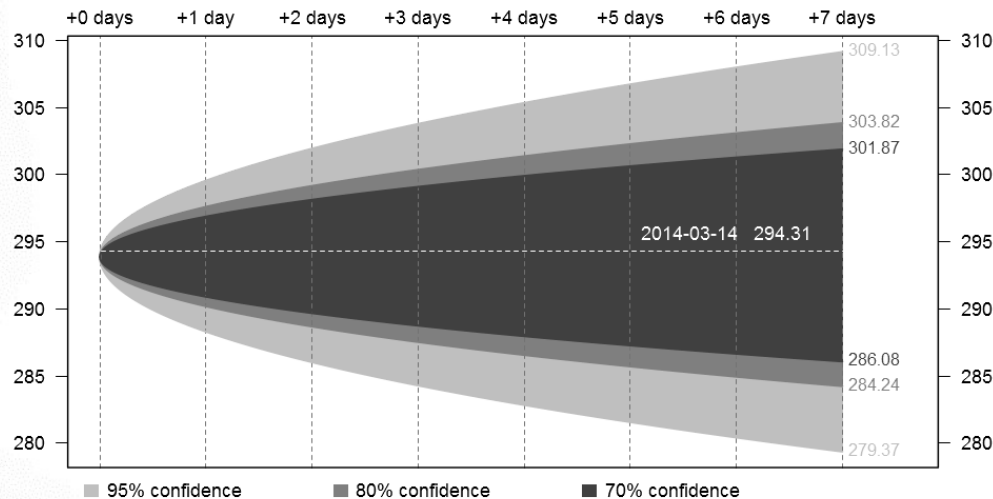
Brent.oil Potential Rates



Natural.gas Potential Rates



Heating.oil Potential Rates

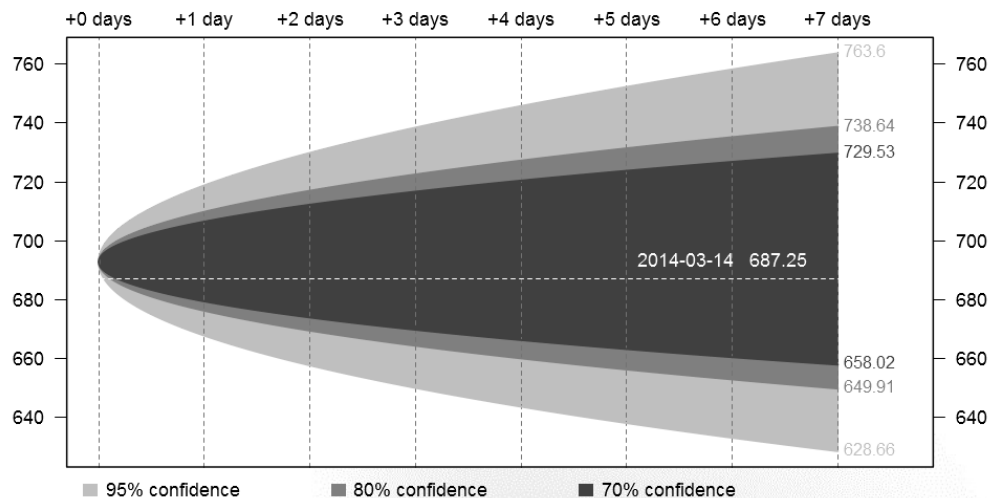


Agriculture Confidence Intervals for the Next 7 Days

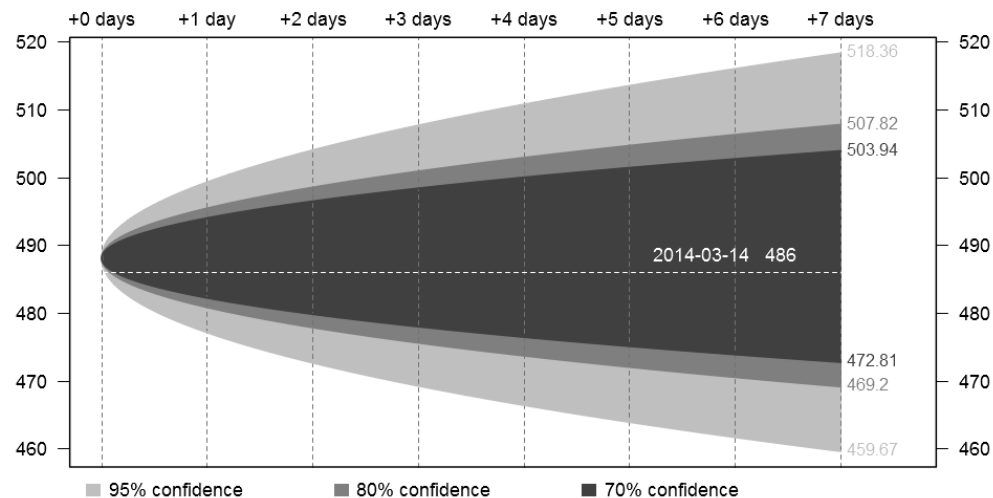
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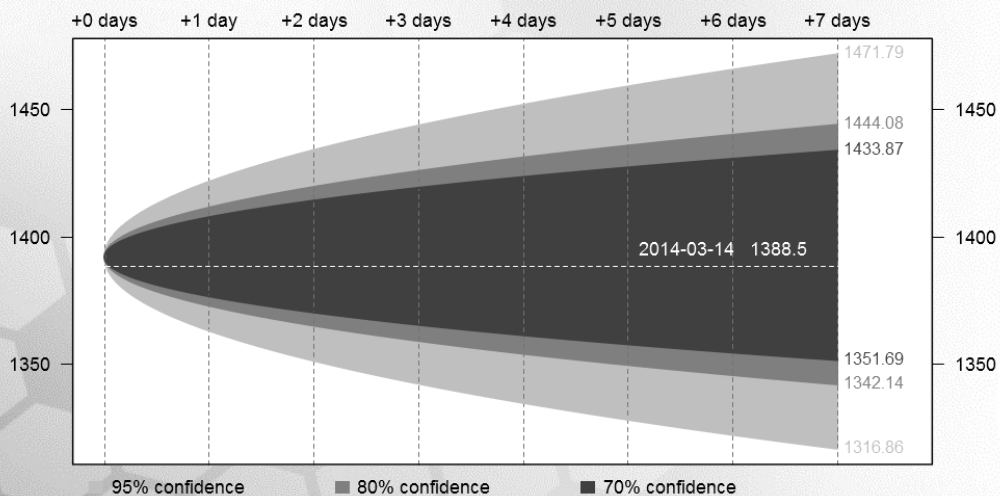
Wheat Potential Rates



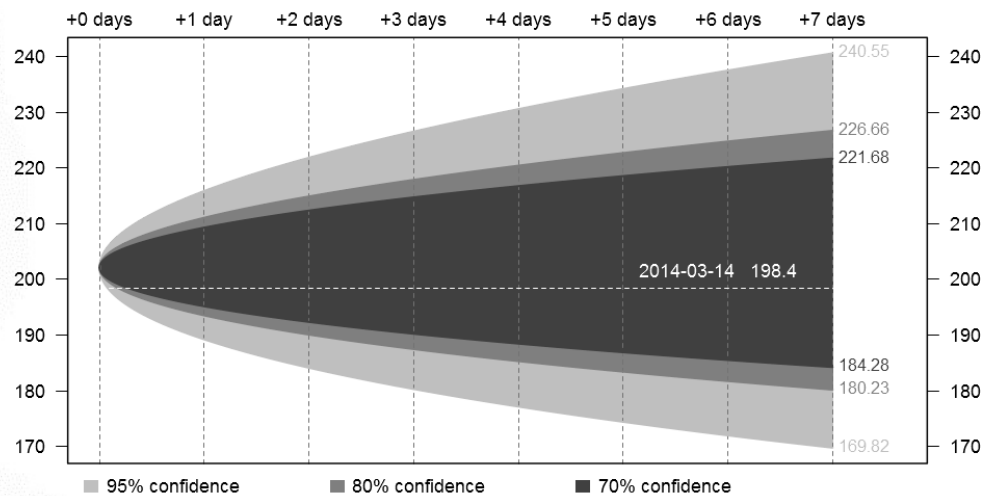
Corn Potential Rates



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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