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01/04/2014



Weekly Commodity Overview

Market Highlights



ASIA-PACIFIC REGION

Data from Japan beats estimates

Japanese numbers were mostly positive last week, with the only one exception-household spending that unexpectedly dropped 2.5% in February. Experts predicted a 0.2% increase after a 1.1% surge in the preceding month. Meanwhile, jobless rate fell in February to 3.6% from 3.7% in January, while economists expected the rate to remain unchanged. Retail sales in the country also recorded a jump of 3.6% in the last month of winter that is slower than in the preceding month but more than a forecast of 3.4%.



EUROPE

Eurozone's numbers mixed

Manufacturing activity in the single currency union expanded slightly less than expected in March, with flash manufacturing PMI coming at 53.0 compared to the previous month's reading of 53.2 and a forecast of 53.2. Meanwhile, employment in the Eurozone added 0.1% last quarter, while economics projected the indicator to post no changes in the period.

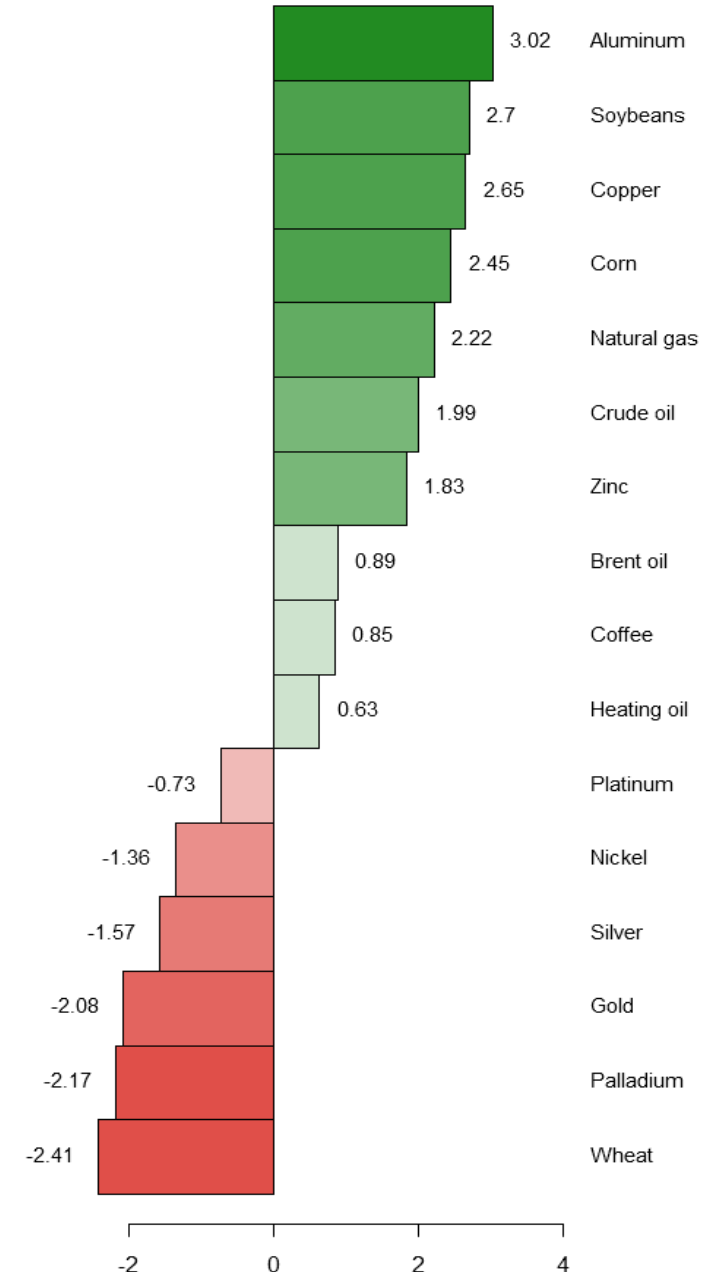


NORTH AMERICA

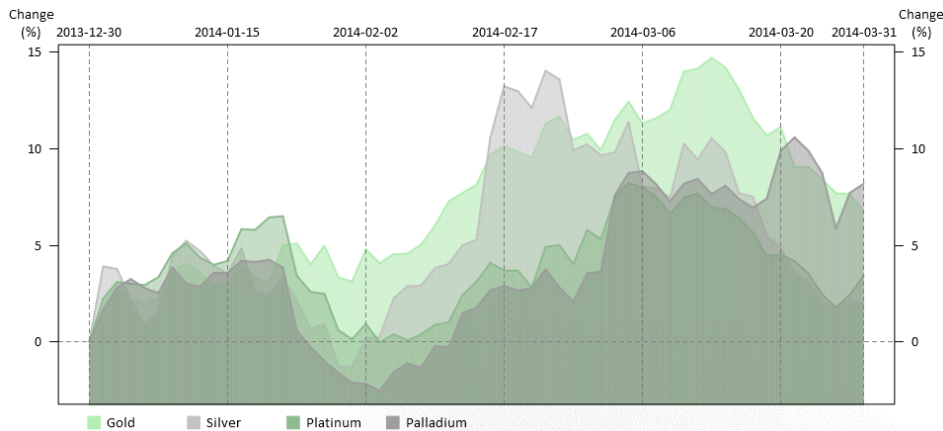
U.S. consumer mood improves; housing market data miss forecasts

U.S. consumer confidence improved much more than expected in March, hitting a six-year high. CB consumer confidence indicator rallied to 82.3 last month compared to expectations of 78.7 and February's reading of 78.3. Durable goods orders also boosted optimism. Durable goods orders rose 2.2% in February. However, core durable goods orders gained only 0.2% after soaring 0.9% in the preceding month, adding to signs that business speeding is slowing down. Property market data was on the negative side, with new home sales declining to 440K units in February from 455K units in January and versus estimates of 447K units. Pending home sales dropped 0.8% in the same period, while analysts called for a 0.1% rise.

Weekly Ranked Price Moves (%)



Precious Metals Slump as Fed May Raise Rates Sooner Than Expected



Gold extended its decline, ending Friday's session at a six-week low as upbeat data from the U.S. fuelled worries that the Fed will increase rates sooner than predicted. The Fed Chair Janet Yellen suggested the rate hike may follow six months after stimulus plan ends, which is likely to be in the fall. The yellow metal has been under selling pressure since mid-March after the Fed cut its bond-buying programme by \$10 billion to \$55 billion and its officials hinted that rates are likely to be lifted in 2015.

The precious metal lost its favor among market players and it was clearly reflected in the market sentiment. According to the CFTC, hedge funds and money managers reduced bullish bets in the yellow metal futures in the week ended March 25. Net longs slumped 13.3% on a weekly basis. Investment demand also demonstrated weakness of the metal, holdings in ETFs plunged almost 30% year-to-date.

Silver plunged more than 1.5% last week, tracking weakness in gold prices and amid speculation that the Fed will end quantitative easing programme sooner than previously thought. Signs of weakening investment demand and lack of any positive data from the physical markets also were at a play. The CFTC reported that net long position in the grey metal futures dived 59.1% in the week ended March 25.

Platinum and Palladium retreated but may draw some strength from ongoing strikes in South Africa, the top producer of platinum. A two-month strike among platinum miners has cost platinum producers about one billion dollars in revenues. Lonmin, one of the platinum titans, which lost over 90,000 ounces of output since the stoppage started said that its staff will take unpaid leave. The labour dispute as well as possible sanctions on Russia are likely to substantially widen deficit of the metals at a time when demand from automobile industry is on the rise.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-2.08	-2.86	6.78	-2.79	-20.21	-19.63
Silver	-1.57	-7.01	1.97	-9.8	-31.24	-30.55
Platinum	-0.73	-1.8	3.42	1.97	-10.4	-9.9
Palladium	-2.17	4.39	8.19	7.75	0.97	0.97

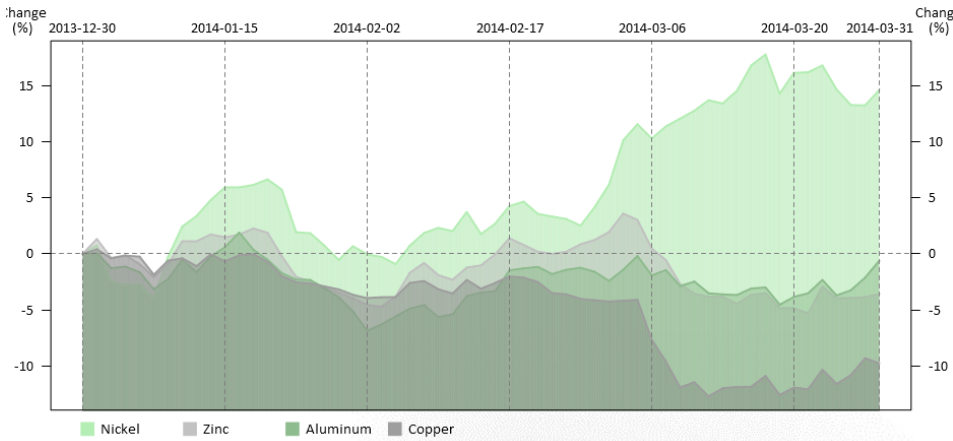
Changes in Total Known ETF Holdings (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-0.57	0.77	-0.19	-8.66	-27.73	-28.18
Silver	0.18	1.24	2.11	-1.35	0.6	0.55
Platinum	0.39	3.19	2.14	12.97	61.79	61.79
Palladium	1.04	1.06	-2.4	-4.68	-5.64	-5.64

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

	Q2 14			Q3 14			Q4 14			Q1 15		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Gold	1 120	1 780	1 278.1	1 060	1 760	1 272.71	990	1 743	1 272.5	970	1 500	1 207.6
Silver	16.75	34	21.4	17	35	21.71	17.23	34	21.97	17.6	25	20.85
Platinum	1 300	1 850	1 540.5	1 320	1 850	1 565.36	1 353	1 850	1 587.23	1 450	1 900	1 610.38
Palladium	625	850	767.36	630	850	779.71	657	900	801.46	705	1 000	827.68

S&P GSCI Precious Metals Index	%
Weekly	-2.02
Monthly	-3.39
3 Months	6.1
6 Months	-3.85
12 Months	-20.09

Industrial Metals Rally as China May Ease Policy



Aluminum gained some ground in the second part of the week amid indications that China's government may implement stimulus measures to boost economic growth of the country. China's premier Li Keqiang said that the state has policies in place to speed up economic progress. Meanwhile, market players also brought forward expectations of a deficit this year due to production cuts that have already wiped out over 2.4 million tonnes of output. However, from another side of the Pacific ocean, the ideas of sooner-than-expected rate hikes by the Fed put a drag on demand for riskier assets.

Copper managed to erase earlier losses on Friday, rallying the most in 10 days, after China's premier hinted that policy-makers of the world second largest economy are ready to put efforts in speeding up economic growth. The red metal also saw some gains pertaining to talks that global surplus will narrow significantly this year amid stoppages in Chile and strong China's demand. Red metal's surplus is expected to shrink to 260,500 tonnes in 2014 compared to earlier estimate of 328,000 tonnes, while next year supply may outpace demand by 235,500 tonnes.

Nickel failed to gain inspiration on concerns that possible sanctions on Russia may exacerbate tight supply situation after Indonesia, top exporter, banned ore exports in January. Consumption of the metal may exceed supply by 35,000 tonnes next year compared to a surplus of 68,000 tonnes predicted this year. If the forecast comes true, this will be the first deficit since 2010, according to the INSG.

Zinc found support on positive news from China and signs of solid demand across the globe. Latest figures released by the ILZSG showed that the metal's market was in deficit of 60,000 tonnes last year versus a surplus of 236,000 tonnes in 2012.

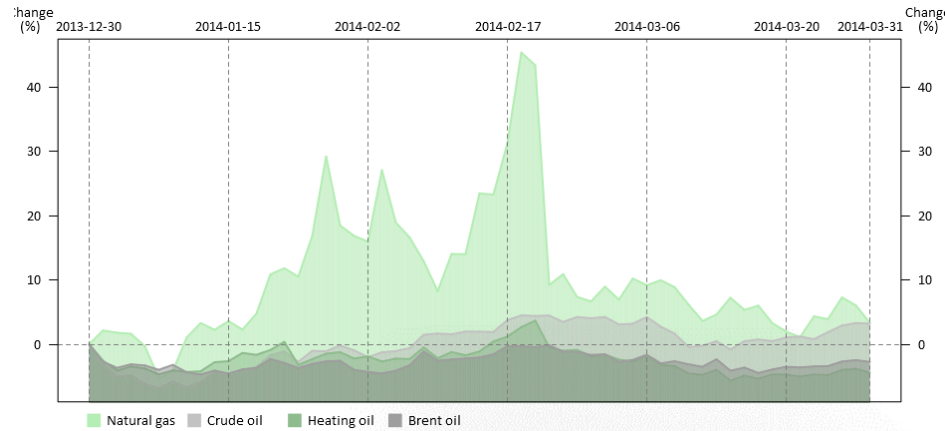
Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	3.02	1.85	-0.61	-2.6	-8.47	-7.96
Copper	2.65	-5.77	-9.78	-8.32	-12.63	-11.86
Nickel	-1.36	7.97	14.64	15.97	-5.91	-4.83
Zinc	1.83	-5.43	-3.58	6.19	2.96	3.63

Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.46	1.33	-1.4	0.18	3.24	2.76
Copper	0.57	-4	-27.63	-50.14	-54.25	-53.46
Nickel	0.41	5.2	8.81	25.25	71.21	72.1
Zinc	0.41	2.35	-16.48	-23.53	-32.47	-33.68

Industrial Metals Long-Term Price Forecasts (USD)												
	Q2 14			Q3 14			Q4 14			Q1 15		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Copper	6 000	8 983	7 171.2	5 750	8 762	7 088.5	5 750	8 487	7 066.34	6 275	8 500	7 021.5
Zinc	1 720	2 500	2 036.26	1 608	2 403	2 042.93	1 532	2 500	2 095.04	1 643	2 425	2 117.88
Aluminum	1 608	2 304	1 854.04	1 536	2 271	1 878.54	1 463	2 215	1 918.39	1 536	2 200	1 920.59
Nickel	13 007	20 391	15 200.22	12 771	20 170	15 406.48	12 098	19 950	15 581.48	12 838	20 000	15 999

S&P GSCI Industry Metals Index	%
Weekly	2.13
Monthly	-2.37
3 Months	-5.35
6 Months	-5.03
12 Months	-9.47

Energy Futures Rise Despite High U.S. Inventories, Fed Comments



WTI and Brent oil were tilted upwards on Friday as positive signs from the U.S. propped up the view that economy is gaining momentum that in turn is likely to be positively reflected in energy demand. However, everything has its negative side and upbeat U.S. data is not an exception. Last week, the Fed Chair Janet Yellen said that rates may be raised six months after the bond-buying programme ends, which is in the fall this year. At the same time, China's alacrity to boost growth helped energy prices to withstand pressure linked to the looming end of stimulus in the U.S.

Market participants continued to monitor trends in the U.S. crude oil inventories last week. The EIA report released on Wednesday showed that energy storage jumped much more than experts had predicted. Crude oil stockpiles rose 6.6 million barrels in the week ended March, while analysts called for a jump of 2.6 million barrels. In the preceding week, inventories also jumped more than expected by 5.9 million barrels versus estimates of 2.4 million barrels.

Natural gas rallied on Thursday after weekly supply data showed that natural gas supplies dropped 57 billion cubic feet in the week ended March 21, slightly more than expected decline of 54 billion cubic feet. At the same time, on Friday, the commodity plunged from a two-week high reached a day earlier as market players cashed out from the market after the rally. Spring temperatures across the most of the U.S. territory added pressure on the natural gas futures. The commodity managed to gain only 2.22% last week.

Heating oil erased some gains on Thursday after the EIA report indicated that distillate fuel supplies, which include heating oil and diesel, surprisingly rose 1.6 million barrels in the week ended March 21. Analysts predicted a drop of one million barrels.

Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	1.99	-0.98	3.21	-2.42	4.82	4.11
Brent oil	0.89	-1.2	-2.74	-1.31	-0.73	-1.08
Natural gas	2.22	-5.16	3.33	23.4	4.9	5.84
Heating oil	0.63	-2.87	-4.42	-2.1	-2.98	-3.22

Changes in U.S. inventories (%)

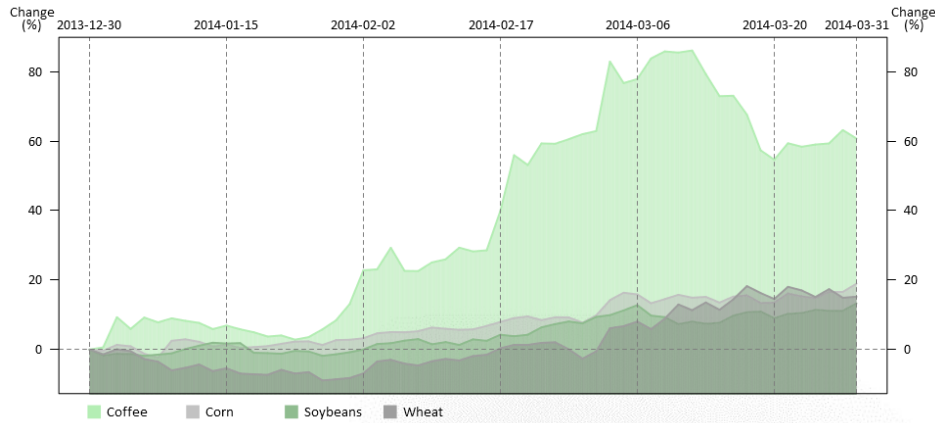
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	1.76	5.56	4.05	6.76	-0.89	-0.05
Gasoline	-2.29	-6.94	-1.22	0.45	-1.83	-2.53
Natural Gas	-5.98	-37.91	-70.82	-73.54	-49.69	-52.24
Distillate Fuel	1.4	-0.29	-1.49	-14.11	-2.47	-6.15

Energy Futures Long-Term Price Forecasts (USD)

	Q2 14			Q3 14			Q4 14			Q1 15		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Crude oil	85	109	95.64	80	112	96.85	70	114	95.25	78	106	95.48
Natural gas	57.13	65	62.01	58.35	65.1	62.29	68.8	72	70.22	71	71	71
Heating oil	273	298	281.25	280	299	287.75	287	290	289	295	305	300
Brent oil	95	117.5	103.87	90	119	104.33	85	122	102.65	85	114	101.11

S&P GSCI Energy Index	%
Weekly	1.25
Monthly	7.47
3 Months	15.91
6 Months	7.8
12 Months	2.49

Agricultural Commodities Mostly Higher Despite Negative Fundamentals



Wheat started the week with a sharp rally but ended with a 2.41% loss. Two factors were cited as the chief reason for an early climb-dryness in the southern Plains and uncertainty over Ukrainian crops as political turmoil in the country may persist in the weeks to come. In the middle of the week, rain forecasts in the U.S. slightly enfeebled the grain; however, the downswing was restricted as experts said the moisture was not enough improve grain condition. The commodity closed with a 2% loss last week.

Corn closed near a six-month high on Monday, being supported by solid wheat prices and positive U.S. export data coming at 45 million bushels, a one-year high. Additional support came from the demand side; ethanol prices in the U.S. jumped almost 5% per gallon last week. However, later in the week, biofuel support became a drag; the data showed that U.S. ethanol production dropped 6,000 barrels per day last week. Some negatives from South America also were present, with the Buenos Aires grains exchange increasing Argentina's crop forecast by 500,000 tonnes to 24 million tonnes.

Soybeans climbed too, being boosted by talks that China may stand by its import commitments, which means that cancellations of more expensive U.S. soybean cargoes may come to an end. However, these talks failed to calm investors who remained cautious over possible cancellation of China's orders in the months to come. U.S. export data managed to provide some assistance for the oilseed that closed over 2% higher.

Coffee started the week on a more positive note after posting the biggest weekly slump since 1999 in the week ended March 21. However, negative fundamentals prevailed last week. Rains in Brazil that failed to improve condition of the current year crop are likely to be favorable for the next year harvest. Meanwhile, the Colombian Coffee Federation raised its forecast for the country's coffee crop by 100,000 bags to 11.4 million bags.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	-2.41	15.77	15.2	1.64	-6.09	-0.29
Corn	2.45	8.31	18.96	14.35	-12.08	-6.78
Soybeans	2.7	3.54	13.27	14.94	14.53	16.98
Coffee	0.85	-1.33	60.7	55.44	25.33	24.93

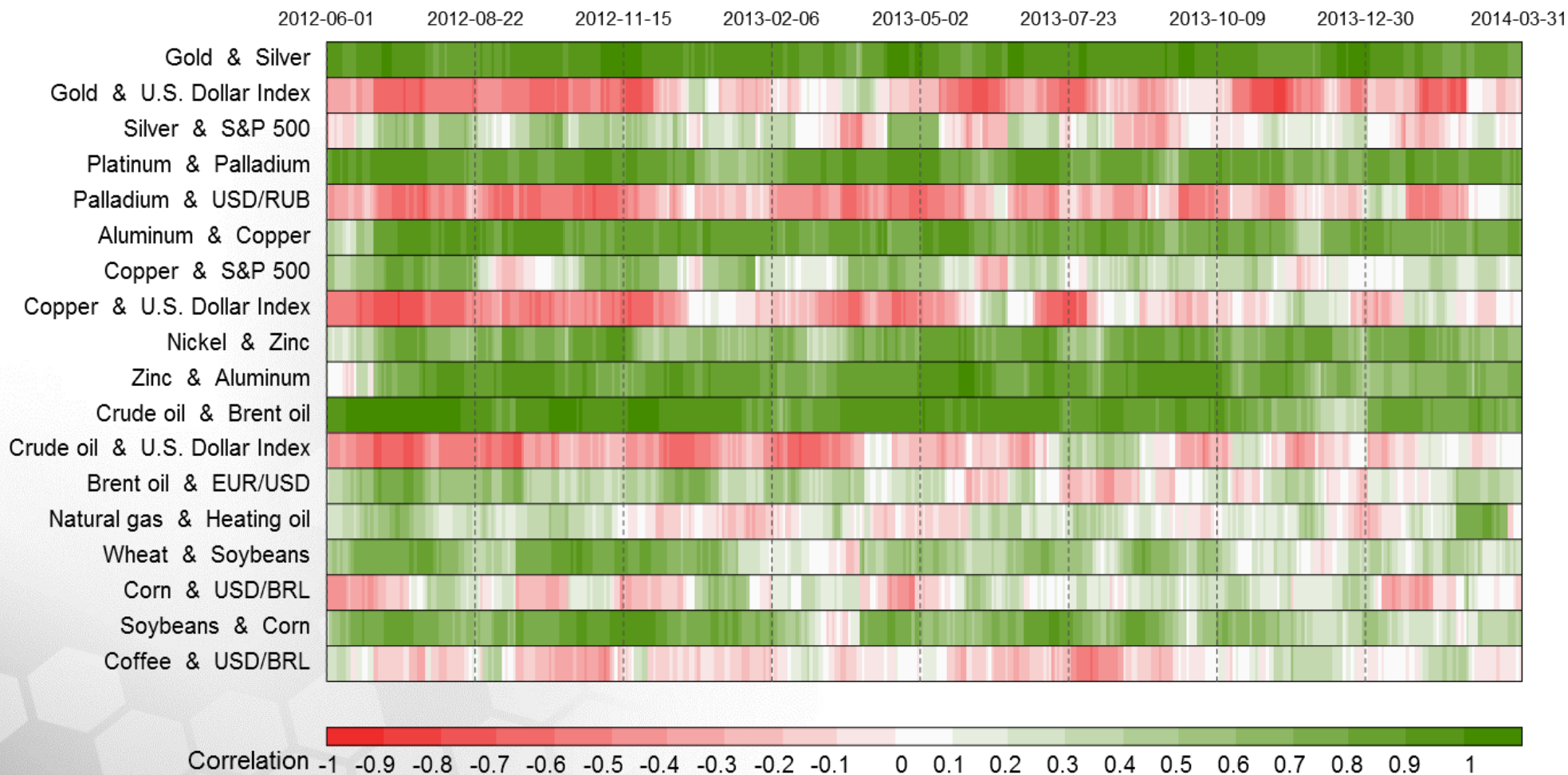
USDA Wasde Total Estimated Inventories						
	Forecast	Today	Month	3 Months	6 Months	YTD
Soybens	0	170	13.33	-35.85	21.43	-8.11
Green Coffee	0	72225.22	0	0	-3.83	-6.98
Corn	-1.14	164330	8.53	6.27	39.27	27.23
Wheat	2.41	178480	1.25	-4.24	2.47	3.46

Farm Commodities Long-Term Price Forecasts (USD)												
	Q2 14			Q3 14			Q4 14			Q1 15		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Corn	380	590	463.33	370	570	461.11	350	550	457.04	350	550	450.51
Coffee	107	185	143.42	112	200	146.75	110	200	143.75	116.01	200	152
Wheat	550	650	602.52	525	680	614.78	500	720	616.26	500	730	618.2
Soybeans	1 200	1 380	1 294.11	1 100	1 340	1 238.11	1 000	1 300	1 181.44	1 000	1 310	1 160.17

S&P GSCI Agriculture Index	%
Weekly	1.26
Monthly	-1.17
3 Months	0.49
6 Months	0.7
12 Months	7.49

Correlation Matrix

Correlation

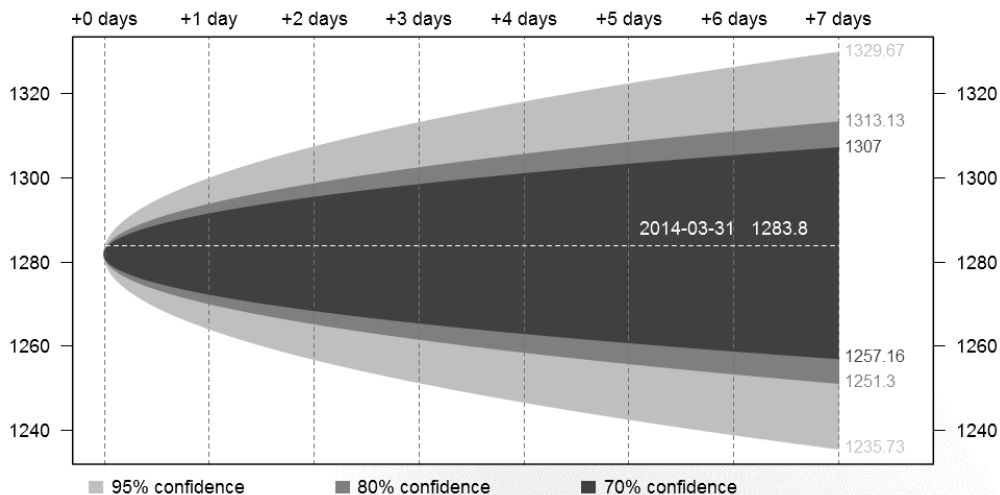


Precious Metals Confidence Intervals for the Next 7 Days

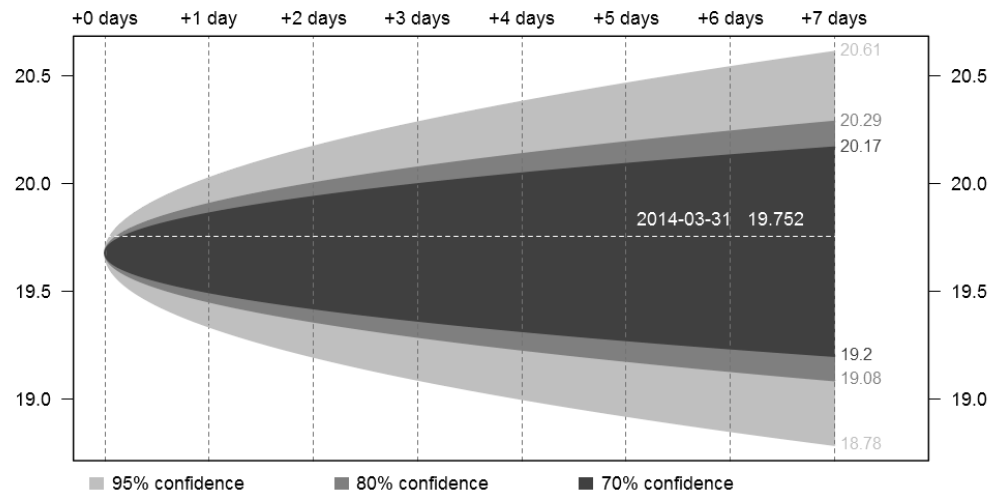
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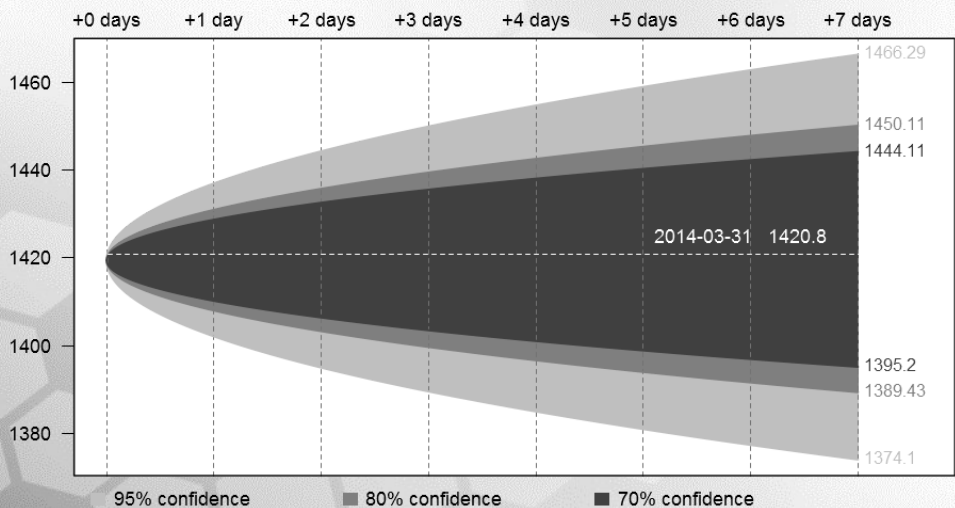
Gold Potential Rates



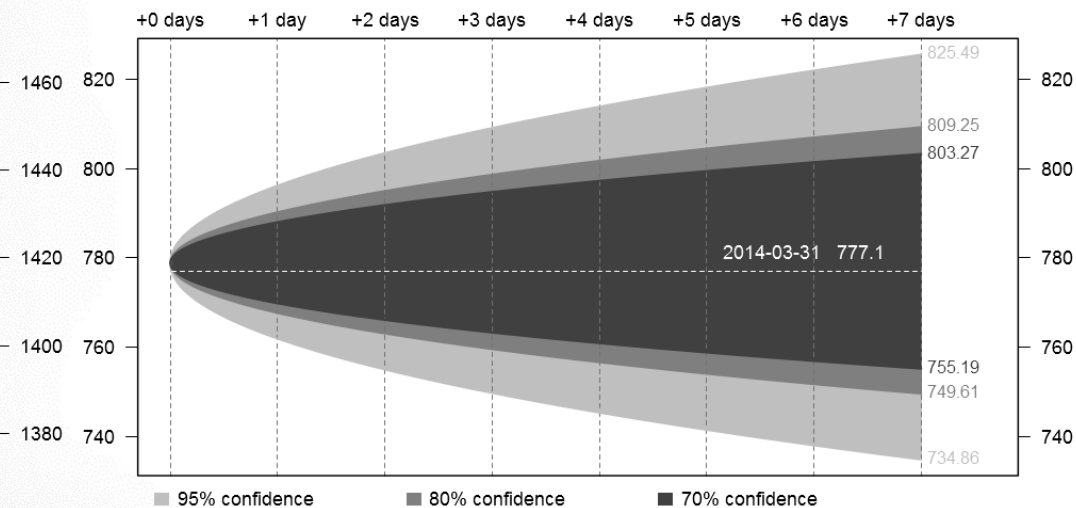
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates

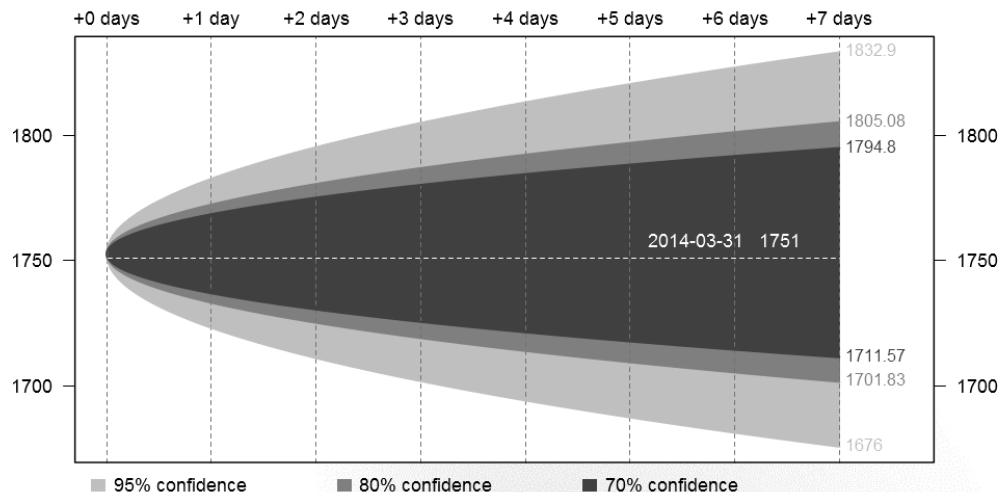


Industrial Metals Confidence Intervals for the Next 7 Days

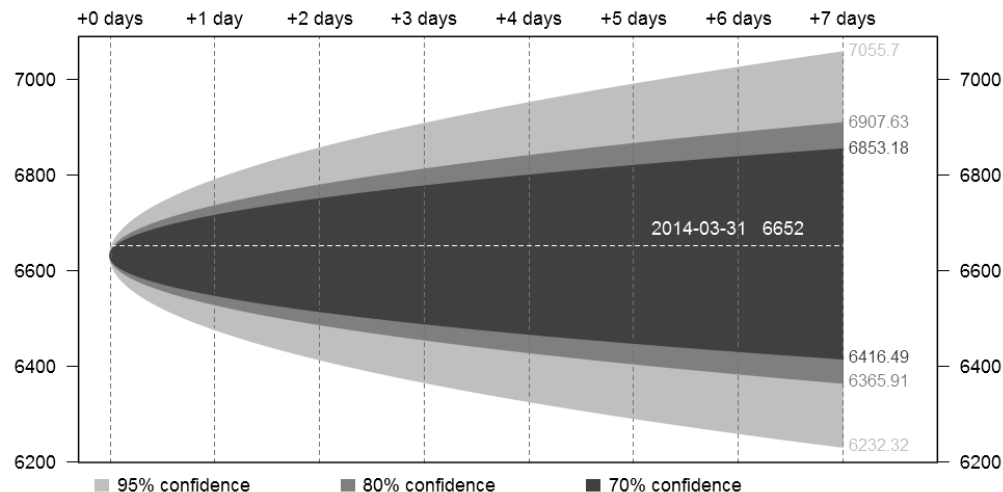
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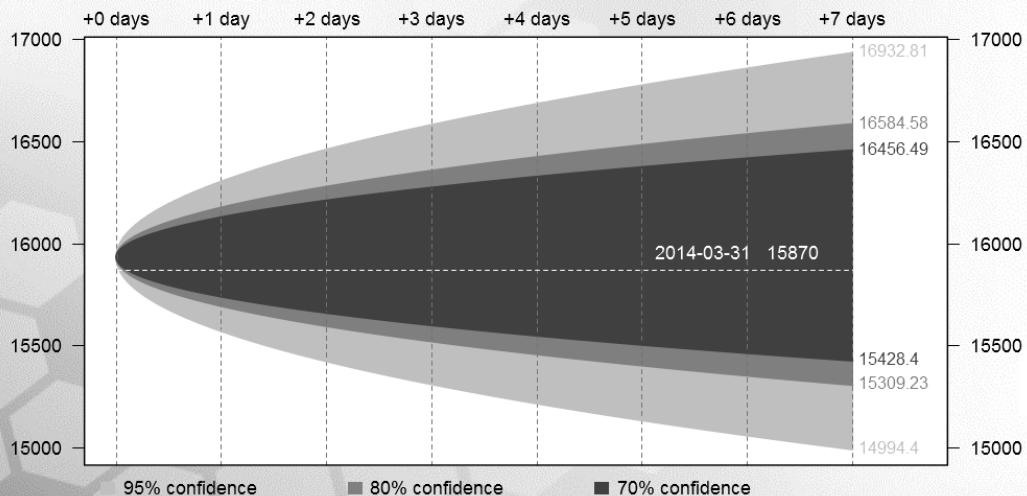
Aluminum Potential Rates



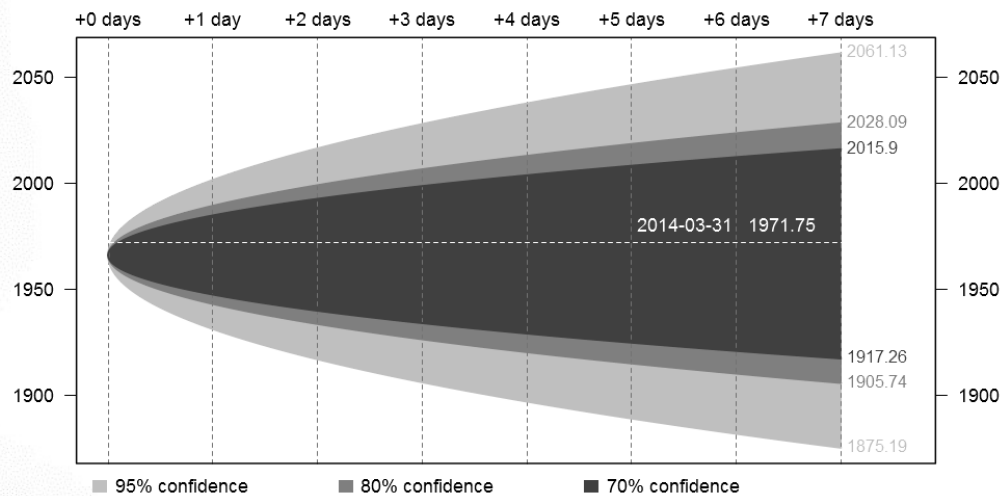
Copper Potential Rates



Nickel Potential Rates

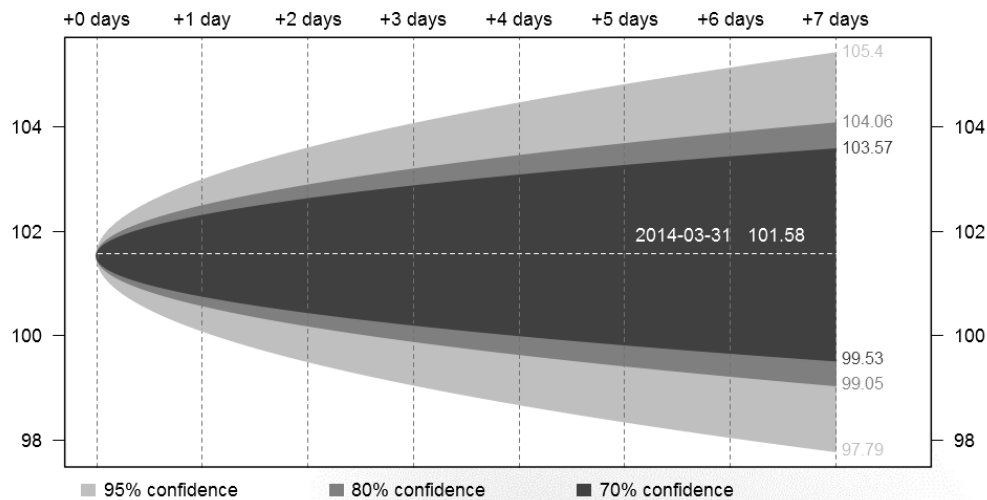


Zinc Potential Rates

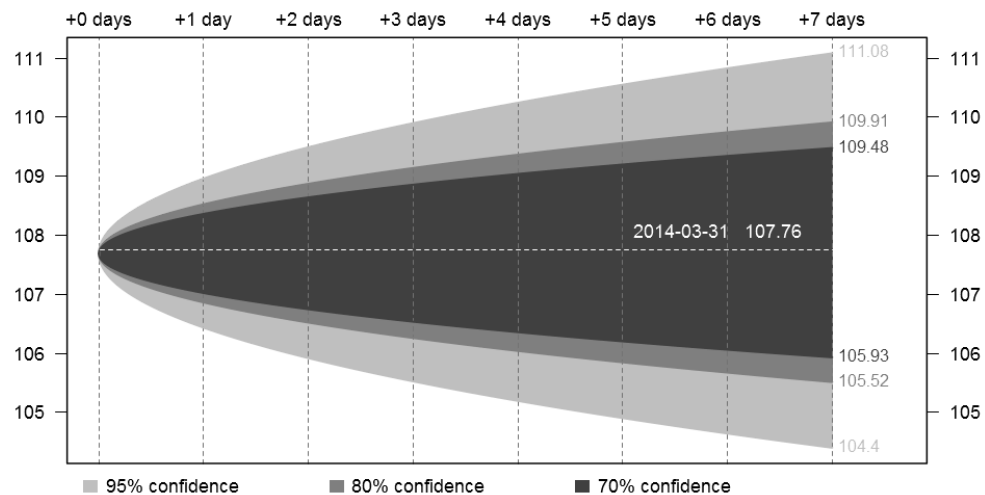


Energy Confidence Intervals for the Next 7 Days

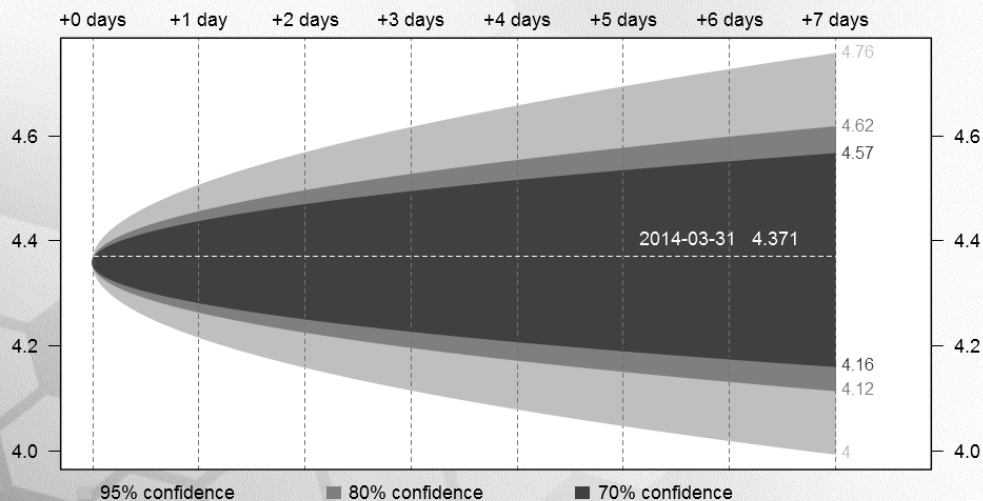
Crude.oil Potential Rates



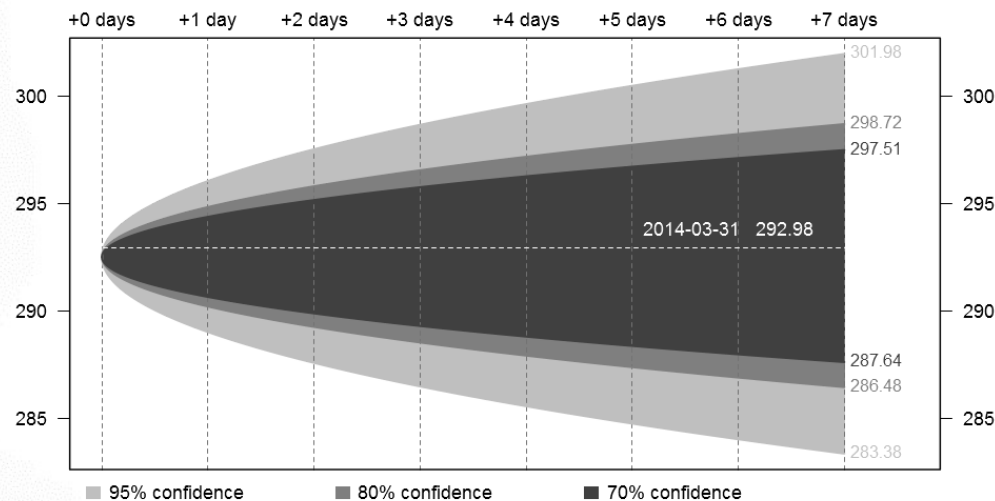
Brent.oil Potential Rates



Natural.gas Potential Rates



Heating.oil Potential Rates

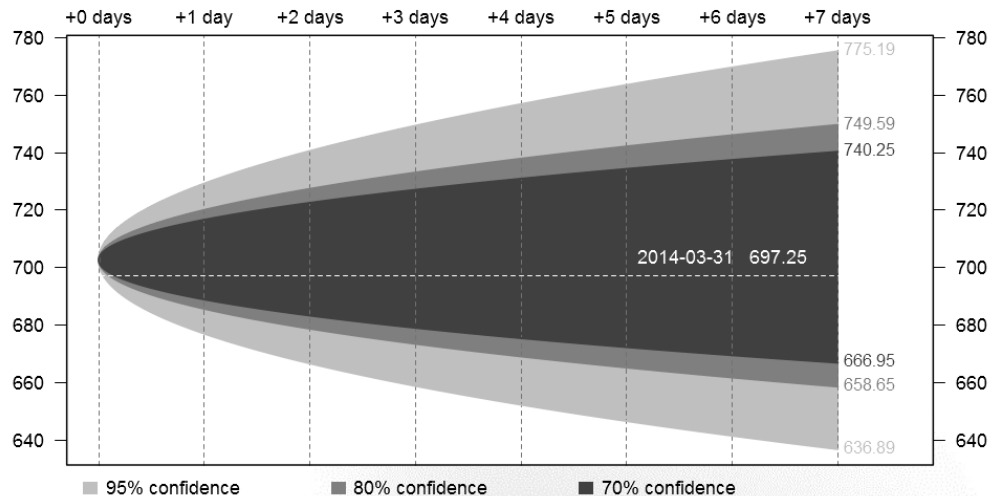


Agriculture Confidence Intervals for the Next 7 Days

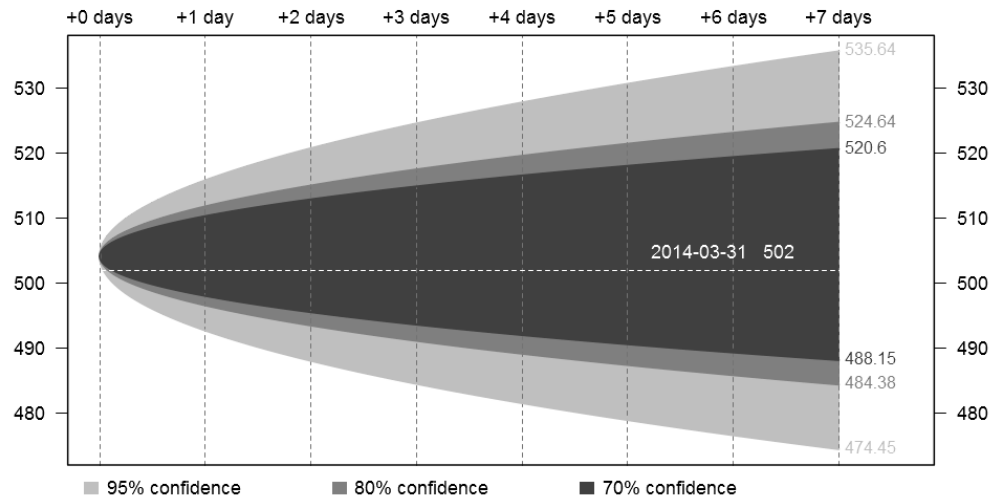
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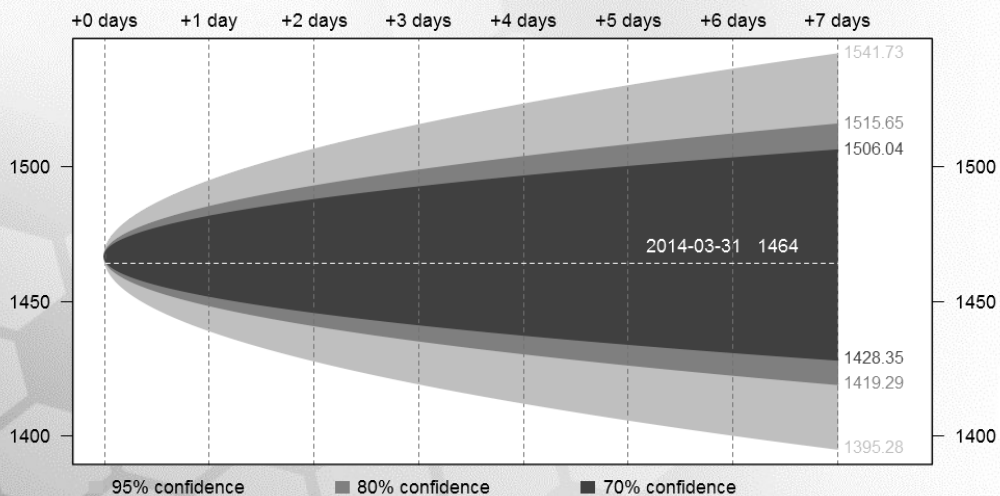
Wheat Potential Rates



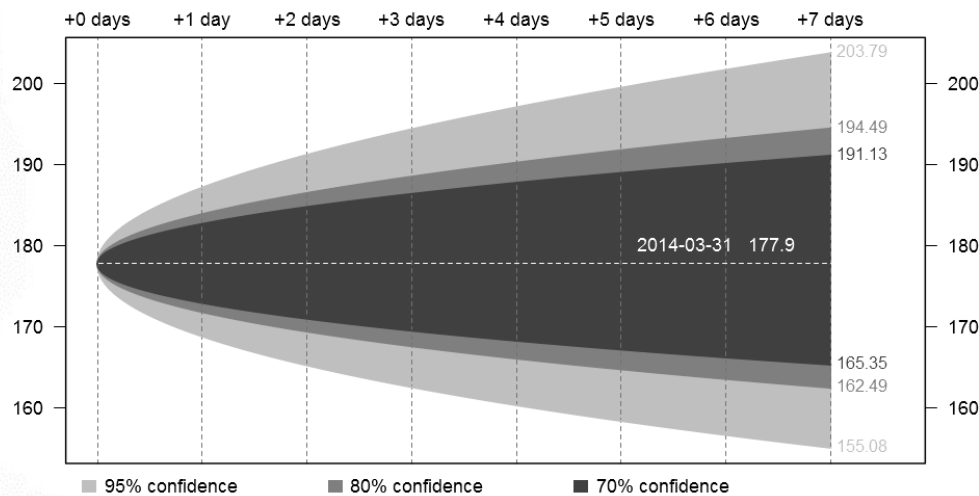
Corn Potential Rates



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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