



DUKASCOPY
RESEARCH PRODUCTS

19/05/2014



Weekly Commodity Overview

Market Highlights



ASIA-PACIFIC REGION

China's data negative; Japan's GDP growth accelerates in Q1

China's industrial production data fuelled worries that economic activity in the country is slowing down. Industrial output slowed to 8.7% last month compared to expectations of a rise to 8.9% and March's figure of 8.8%. Lending activity also was in the downturn in April. Banks of the world's second largest economy issued loans worth 774.7 billion yuan in April that is slightly less than a forecast of 800 billion yuan and below the previous month's reading of 1.05 trillion yuan. Meanwhile, Japan released some positive numbers last week. The preliminary GDP reading indicated that the world's third largest economy grew 1.5% in the first quarter of the year compared to a prediction of 1% and only a 0.2% growth registered in the preceding period.



EUROPE

Eurozone's preliminary GDP data disappoints

Economic growth in the single currency bloc was much slower than initially expected in the first quarter of 2014. The economy of 18-nation union expanded 0.2% versus a forecast of a 0.4% growth and at the same pace as in the preceding quarter. Separate data showed that German economy grew faster than expected, by 0.8% versus 0.7%. At the same time, French economy stagnated, while experts predicted it to add 0.4%. Also on the negative side, German investor confidence dropped for the fifth month in a row in May, while industrial production in the Eurozone contracted 0.3% in March.

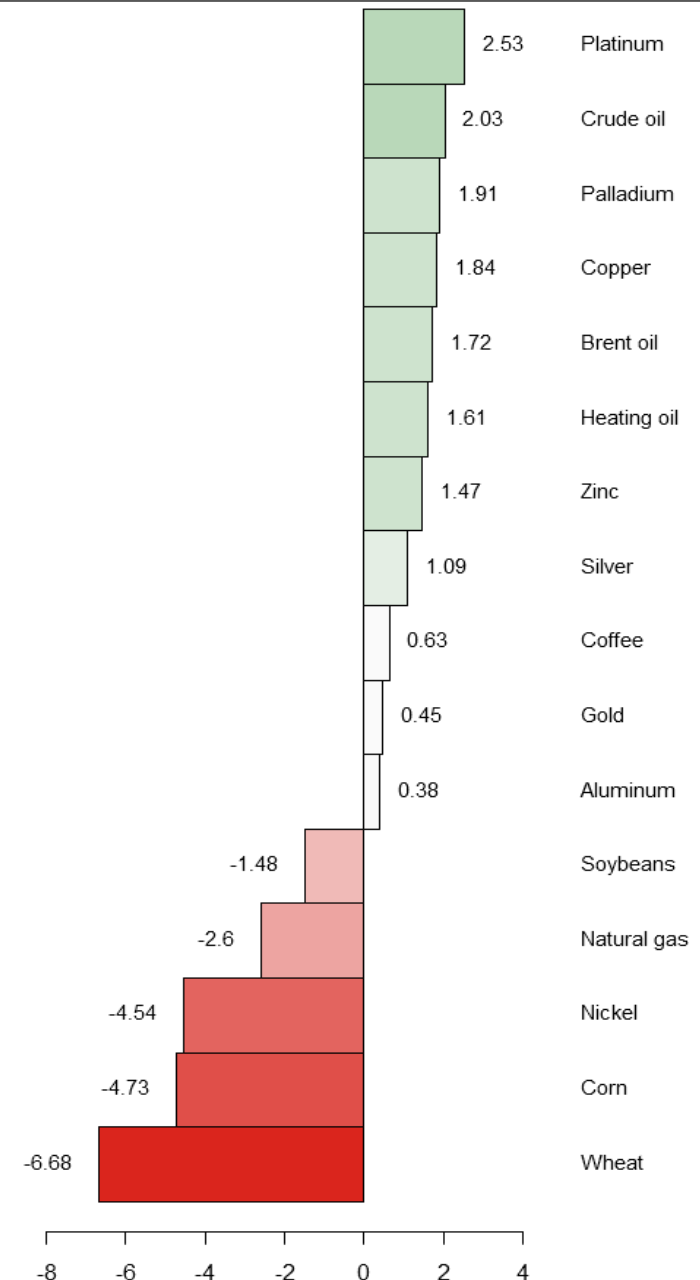


NORTH AMERICA

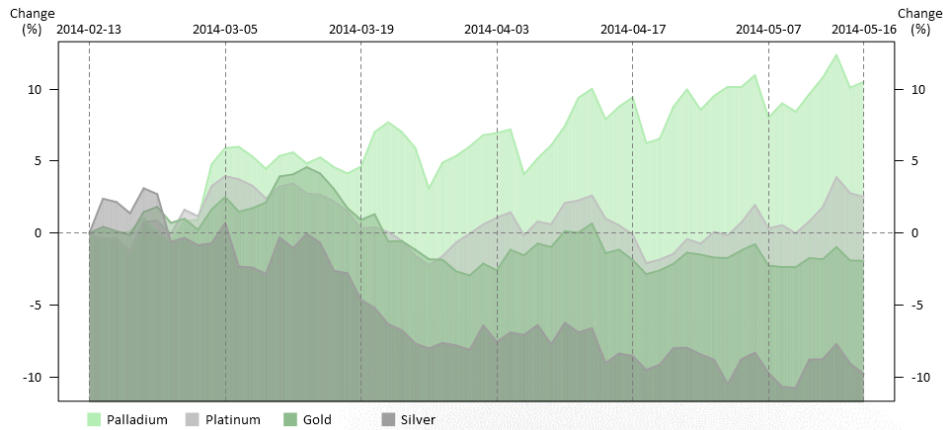
U.S. retail sales miss estimates; housing data positive

Retail sales in the U.S. climbed less than forecast in April. Retail sales gained 0.1% in April after soaring 1.5% in March. Core retail sales posted a zero gain, while experts called for a 0.6% increase. Consumer prices grew more than expected, surging 0.2% in April, the biggest climb in 10 months. Housing market of the world's largest economy showed signs of expansion, with both housing starts and building permits outshining expectations in April.

Weekly Ranked Price Moves (%)



Precious Metals Advance on Ukraine; Platinum Rallies on Supply Concerns



Gold managed to settle above \$1,300 per ounce last week, being bolstered by talks that Ukraine is sliding into a civil war that may further exacerbate geopolitical tensions between Western economies and Russia. Meanwhile, the upturn remained limited as Fed tapering also was in the forefront of investors' mind. Recently, the Federal Reserve has cut its bond-purchasing programme by \$10 billion to \$45 billion a month and is likely to continue trimming stimulus in the months to come.

From the physical demand side, the yellow metal failed to get any support after the data indicated that demand from the world's top importer, China, is slowing down. The precious metal sales at jewelers in Hong Kong dropped 30% year-on-year during the Golden Week break that begun in May. Meanwhile, investment holdings in the total-known gold-backed ETFs plunged over 21% year-to-date.

Silver rallied last week, tracking gold's gains. The grey metal found support on resilient demand for silver coin and jewelry that hit a record-high in 2013 and is likely to remain solid this year. According to the World Silver Survey, global consumption climbed 13% to a record-high of 1,081.1 million ounces in 2013. Strong fabrication demand that is expected to rise 2.9% this year also buoyed prices.

Platinum and Palladium were on the rise last week. Platinum continued to trace developments in South Africa where the top mining companies are unfruitfully attempting to break a 15-week strike that notably weighs on global output. At the same time, palladium also followed a bullish trend amid supply concerns. Palladium reached a 33-month high on worries that on-going strikes in South Africa coupled with possible restrictions on Russia's exports will increase supply shortage at a time when industrial demand is on the rise.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	0.45	-0.77	-1.91	0.47	-7.45	-6.83
Silver	1.09	-1.55	-9.77	-6.74	-14.87	-14.87
Platinum	2.53	1.97	2.52	1.89	-1.8	-1.47
Palladium	1.91	1.58	10.49	11.24	11.49	9.73

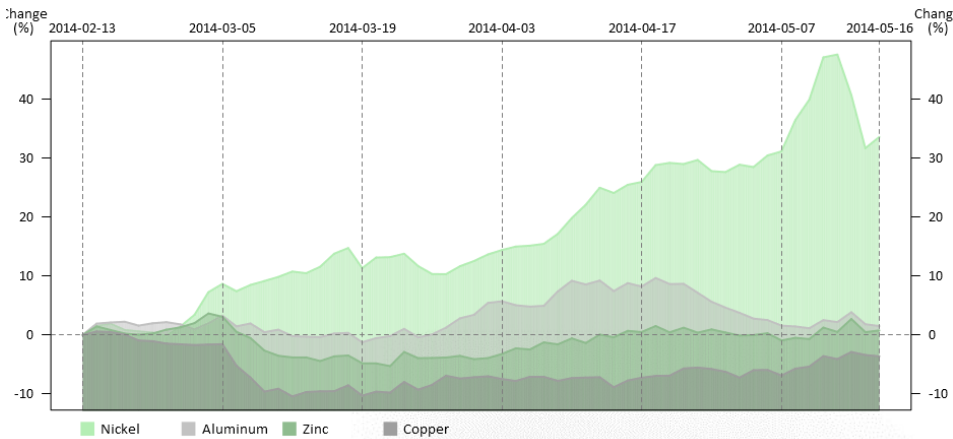
Changes in Total Known ETF Holdings (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-0.1	-0.96	-1	-8.44	-20.87	-21.94
Silver	-0.03	0.37	2.12	-0.88	3.44	2.29
Platinum	1.69	2.17	10	13.89	46.41	50.75
Palladium	2.73	11.7	30.5	27.12	20.85	22.11

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	1 125	1 780	1 288.75	1 070	1 760	1 282.72	1 011	1 743	1 277.12	970	1 500	1 224.75
Silver	16.75	34	21.35	17	35	21.7	17.23	34	21.78	17.6	25	20.88
Platinum	1 300	1 850	1 539.39	1 320	1 850	1 570.91	1 353	1 850	1 593.61	1 450	1 900	1 615.77
Palladium	625	850	774.77	630	850	787.73	657	900	807.77	705	1 000	837.26

S&P GSCI Precious Metals Index	%
Weekly	0.52
Monthly	-0.89
3 Months	-2.96
6 Months	-0.62
12 Months	-7.53

Industrial Metals Mostly Higher; Nickel Slumps from 27-Month High



Aluminum gained for the first time in two weeks despite on-going turmoil in Ukraine. Some pressure also came from recent from China, the which accounts for about 50% of the world aluminum output. The country is expected to produce around 2.5 million metric tonnes of the metal that is more than it is likely to consume in 2014. At the same time, the metal saw support on optimistic demand forecasts. World's aluminum consumption is likely to rise 7% in 2015, reported Citigroup Inc.

Copper traded in the green area last week despite signs that China's demand is ebbing. Industrial production in the world's second largest economy grew last month at slower pace compared to March, while final HSBC PMI reading showed that the industry contracted even more than previously thought in April. However, the red metal managed to add to gains last week due to the fact that negative economic signals seem not to have discouraged base metal buying in the country. China's imports of the red metal climbed 7.2% in April to 450,000 tonnes compared to 420,000 tonnes in March.

Nickel rallied in the first part of the week, attaining a 27-month high on Tuesday as suspension of operations at Vale SA in New Caledonia fuelled supply concerns. The company stopped operations because of a spill of contaminants. Meanwhile, possible sanctions limiting Russia's exports at a time when Indonesia banned its ore shipments continued to spur a rally. However, the base metal failed to sustain its advance, diving the most in 31 months on Thursday on speculation that the rise is overdone.

Zinc drew some strength from copper's gains. The metal also got stimulus from China's trade data showing that refined zinc's imports by the top buyer rose more than 37% in the period between January and March.

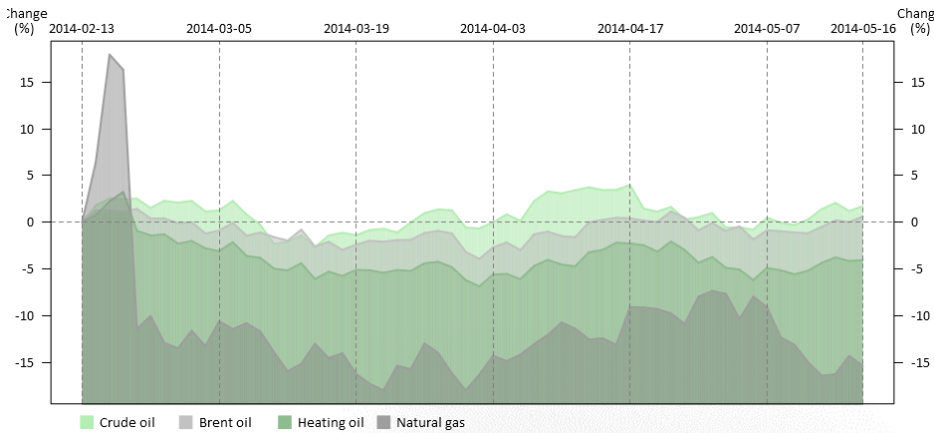
Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	0.38	-6.68	1.51	-0.97	-5.43	-6.07
Copper	1.84	4.44	-3.61	-1.09	-3.75	-4.82
Nickel	-4.54	6.46	33.51	37.95	27.55	27.6
Zinc	1.47	0.07	0.77	10.21	13.58	13.02

Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.92	-1.11	-1.99	-0.66	0.74	0.64
Copper	-10.46	-23.02	-37.64	-58.7	-70.13	-70.13
Nickel	0.61	0.93	4.03	14.3	56.53	56.52
Zinc	-1.25	-6.59	-6.44	-24.7	-32.36	-32.65

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	7 005.03	5 750	8 762	6 996.9	5 750	8 487	7 012.5	6 275	8 500	6 957.58
Zinc	1 720	2 500	2 042.04	1 608	2 403	2 052.33	1 532	2 500	2 118.11	1 643	2 381	2 129.94
Aluminum	1 608	2 304	1 850.68	1 536	2 271	1 864.86	1 463	2 215	1 908.57	1 536	2 049	1 907.11
Nickel	13 007	20 391	15 985.41	12 771	20 170	16 317.3	12 098	21 000	16 590.19	12 838	20 600	17 035.53

S&P GSCI Industry Metals Index	%
Weekly	0.71
Monthly	0.35
3 Months	0.42
6 Months	1.02
12 Months	-4.96

Energy Futures Gain Despite Bearish EIA Report



WTI and Brent oil were on the rise, being propped up by concerns that oil supplies from the world's largest energy producer, Russia, may be restricted amid disputes pertaining to referendums in eastern Ukraine. Brent oil also received a boost from updated IEA demand estimates. The IEA said that demand for OPEC's oil will be stronger in the second half of 2014 thanks to an increased consumption by the developed economies. The OPEC will have to supply extra 800,000 barrels per day that will push its daily production to 30.7 million barrels in the second half of the year.

WTI erased some gains on Wednesday after the EIA data showed an unexpected rise in the U.S. storage in the week ended May 9. Crude oil inventories climbed 900,000 barrels in the period, while experts called for a 1.5-million-barrel decline. In the preceding week, U.S. stocks surprisingly dropped 1.8 million barrels; analysts expected inventories to add 900,000 barrels.

Natural gas plunged to a six-week low early last week as mild spring weather continued to weight on the demand for fuel used for heating and air conditioning. However, the commodity shot up on Thursday after the EIA data indicated that U.S. stockpiles rose more than expected but not enough to mollify supply worries. U.S. storage added 105 billion cubic feet in the week ended May 9 compared to a forecast of a 97-billion-cubic-foot increase. Meanwhile, total inventories stood 40% below the level registered in the same period last year and 45% below the five-year average.

Heating oil tracked gains in WTI and Brent oil, closing 1.61% higher last week. The commodity found support on a bullish EIA report. According to the EIA, distillate fuel inventories, which include heating oil and diesel, dropped one million barrels instead of adding one million barrels as economists had projected.

Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	2.03	-1.68	1.71	8.72	7.8	6.76
Brent oil	1.72	0.14	0.61	1.15	6.36	5.94
Natural gas	-2.6	-2.58	-15.36	20.57	6.77	10.19
Heating oil	1.61	-1.89	-4.05	0.5	2.57	1.73

Changes in U.S. inventories (%)

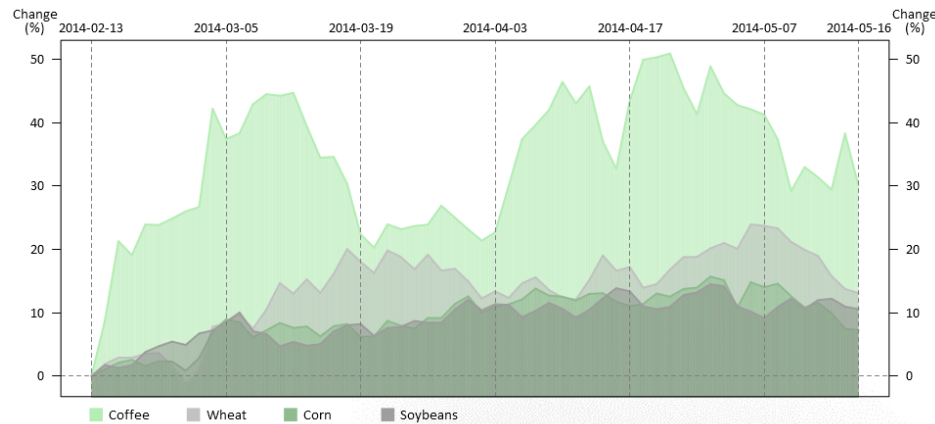
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	0.24	3.75	10.29	2.69	0.92	0.76
Gasoline	-0.36	0.94	-8.88	1.53	-2.41	-1.24
Natural Gas	9.95	40.44	-31.48	-69.74	-40.94	-37.8
Distillate Fuel	-0.99	-0.28	-0.16	-3.8	-5.83	-3.99

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	107	96.19	80	109	97.35	70	110	95.34	78	110	96.72
Natural gas	57.13	63.9	60.61	57	65.1	60.89	65	72	68.97	71	71	71
Heating oil	273	298	285	280	299	287.75	287	290	289	290	295	292.5
Brent oil	95	117.5	104.25	90	119	104.96	85	122	103.14	85	115	102.53

S&P GSCI Energy Index	%
Weekly	-3.23
Monthly	-2.53
3 Months	9.46
6 Months	10.18
12 Months	-1.58

Agricultural Commodities Close in Red on Wasde, Accelerating Planting



Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	-6.68	-3.02	13.08	3.02	-3.99	-3.12
Corn	-4.73	-3.97	7.27	12.31	-9.07	-7.73
Soybeans	-1.48	-2.9	10.57	14.41	21.1	20.33
Coffee	0.63	-2.01	30.04	69.62	29.63	30.27

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)

	Q2 14			Q3 14			Q4 14			Q1 15		
	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Corn	380	590	483.73	370	570	483.64	350	550	480.91	350	600	492.25
Coffee	107	200	169.33	112	203.3	166.72	110	216.7	162.78	130	218	171.6
Wheat	550	715	630.18	525	720	633.45	500	735	635.27	500	745	642.44
Soybeans	1 200	1 530	1 355.45	1 100	1 550	1 284.09	1 000	1 570	1 227.55	1 000	1 590	1 223.88

Wheat was steadily losing ground last week, reaching a two-week low after the USDA reported that global supplies will rise despite unfavorable weather in the U.S. Wheat output in the U.S., the world's largest export, is expected to decline circa 8% to 1.963 billion bushels in the season that starts in June, while global output will drop to 697.04 million metric tonnes versus a record of 714 million tonnes hit last season. At the same time, global ending inventories in 2014/15 may approach 187.42 million tonnes from 186.53 million tonnes in the preceding period.

Corn swung to losses as U.S. farmers boosted planting, according to the data compiled by the USDA. Around 59% of U.S. corn was planted as of May 11 compared to 29% in the preceding week, sending plantings ahead of a five-year average of 58%. Also pressurizing prices, Wasde report was negative for the grain. The USDA raised its forecast for the world's ending stocks by more than 10 million tonnes amid expectations of a strong harvest in Brazil and revisions to preceding years. However, signs of strong demand as well as rising ethanol production in the U.S. restricted the decline in prices.

Soybeans failed to gain inspiration from the latest USDA monthly report. The USDA reduced its forecast for the world's ending inventories by 2.44 million tonnes to 66.98 million tonnes for the upcoming season. Furthermore, the agency cut its estimate for ending U.S. supplies by 130 million bushels. At the same time, U.S. oilseed output in 2014/15 was projected to climb 11% to 107.9 million tonnes thanks to record yields.

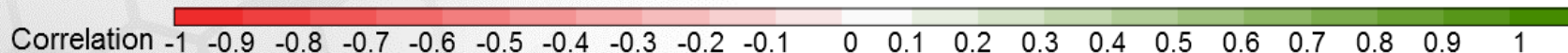
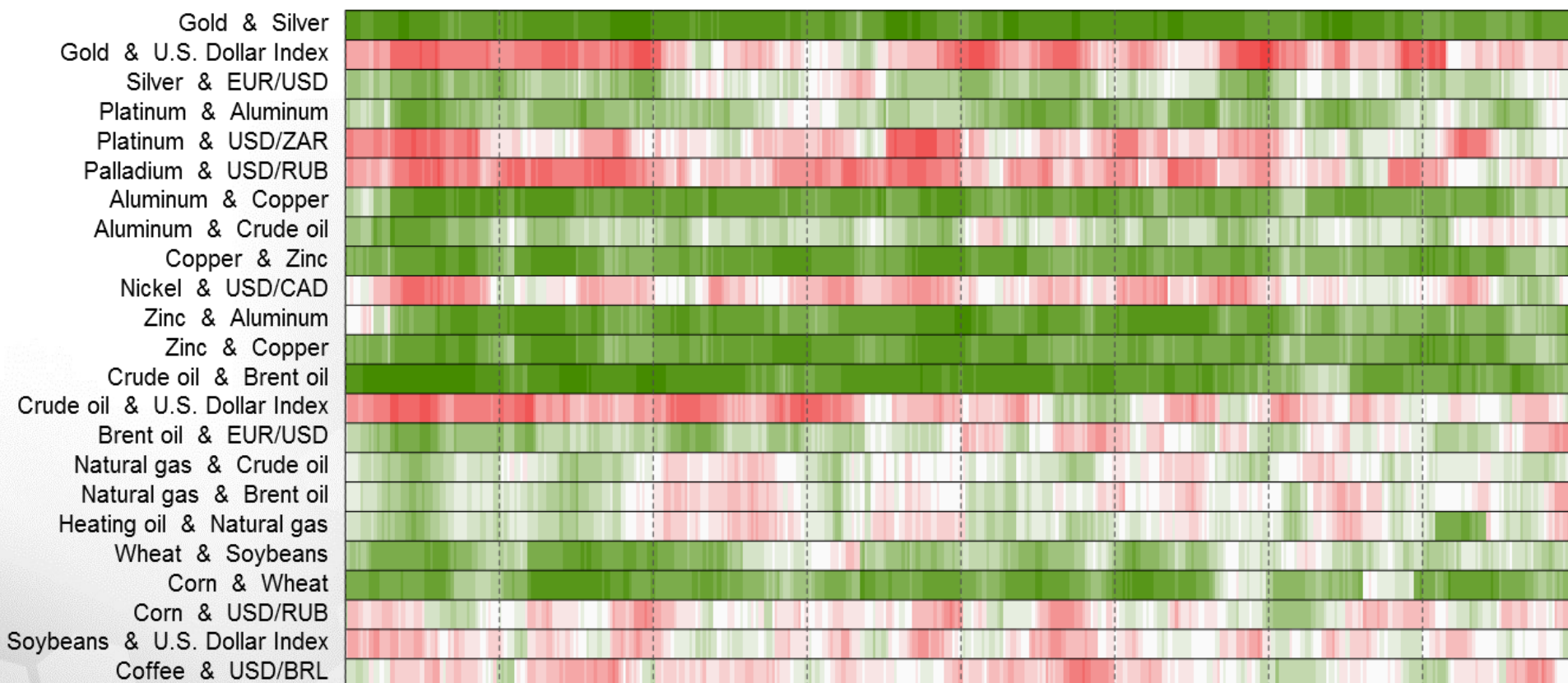
Coffee dropped below the key level of \$200 cents per pound as investors were unwilling to buy the beans ahead of the data on the actual Brazilian yields. Earlier, Arabica coffee rallied to a multiple-month highs on speculation that rains after a long-lasting drought failed to improve crop condition in the world's top producer.

S&P GSCI Agriculture Index	%
Weekly	1.91
Monthly	-0.61
3 Months	1.51
6 Months	6.31
12 Months	8.35

Correlation Matrix

Correlation

2012-06-01 2012-08-29 2012-11-28 2013-02-27 2013-05-28 2013-08-20 2013-11-11 2014-02-12 2014-05-16

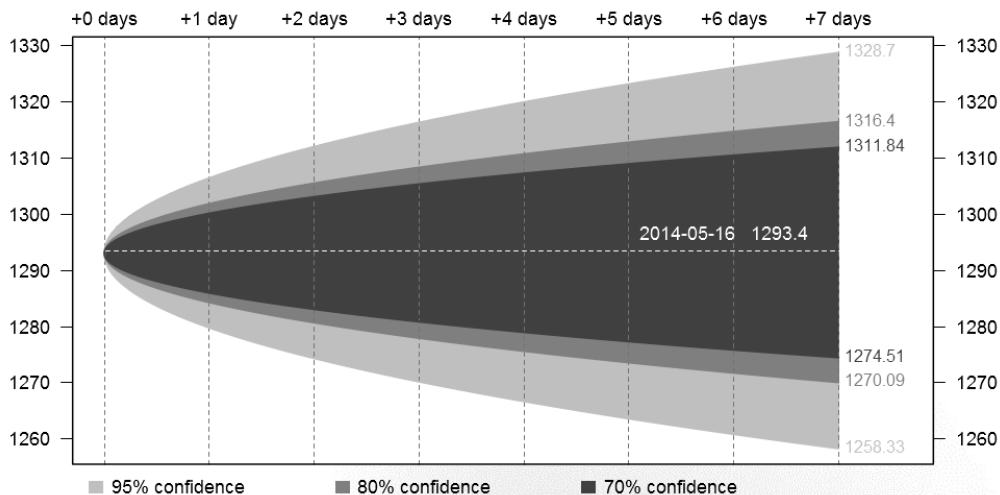


Precious Metals Confidence Intervals for the Next 7 Days

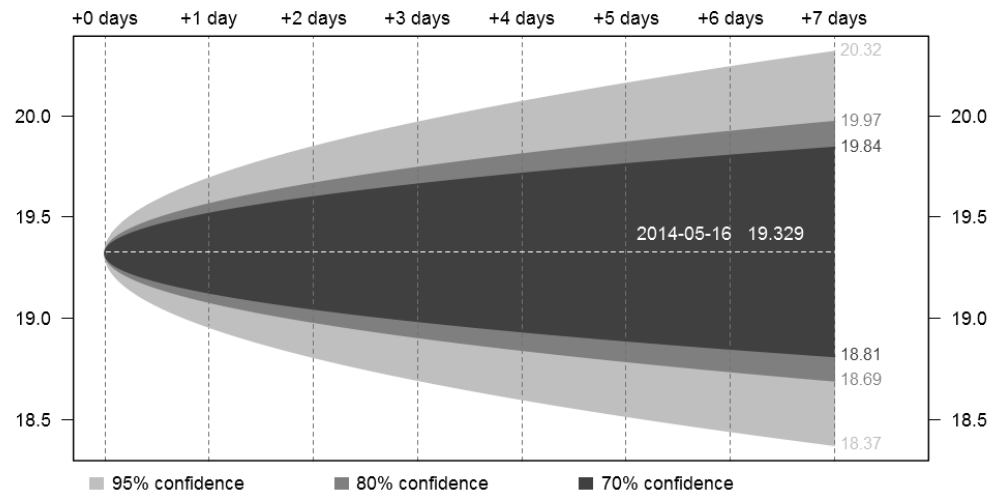
Monday, May 19, 2014

7:30 GMT

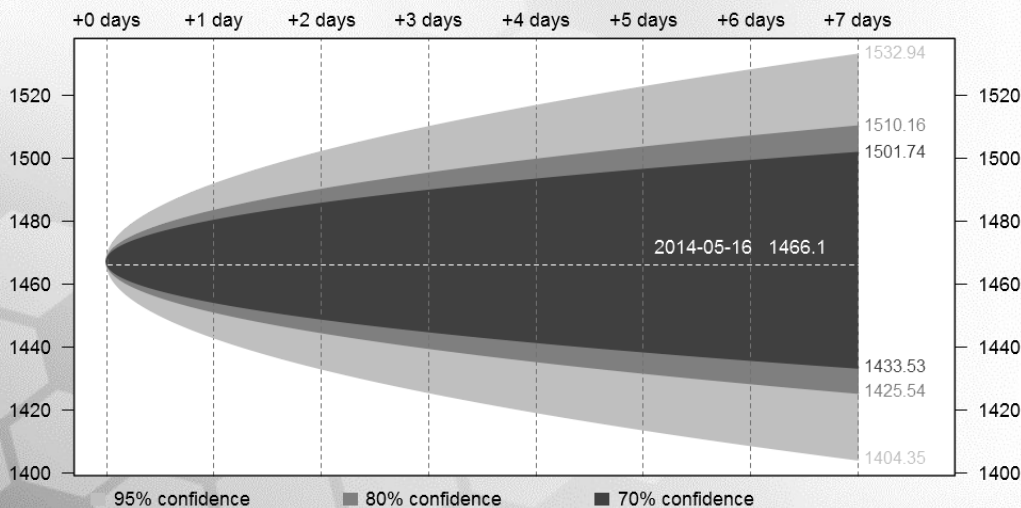
Gold Potential Rates



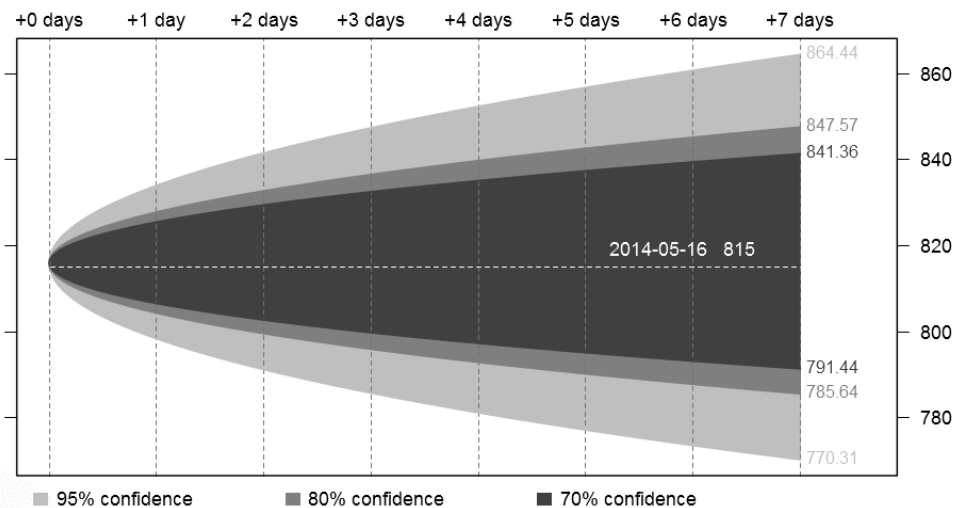
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates

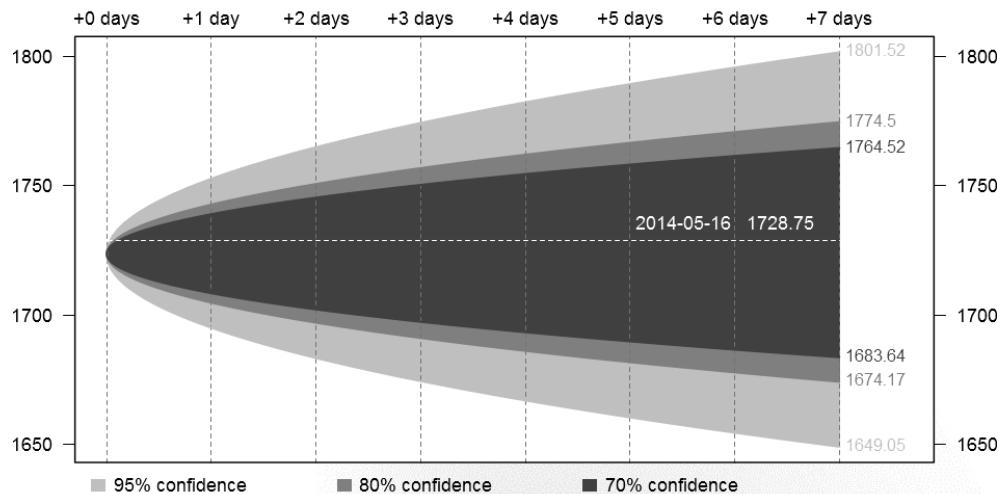


Industrial Metals Confidence Intervals for the Next 7 Days

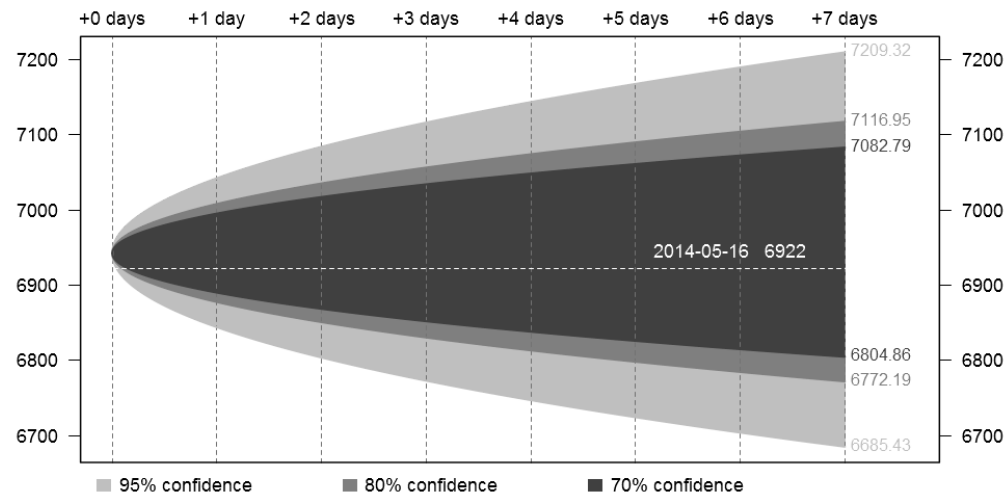
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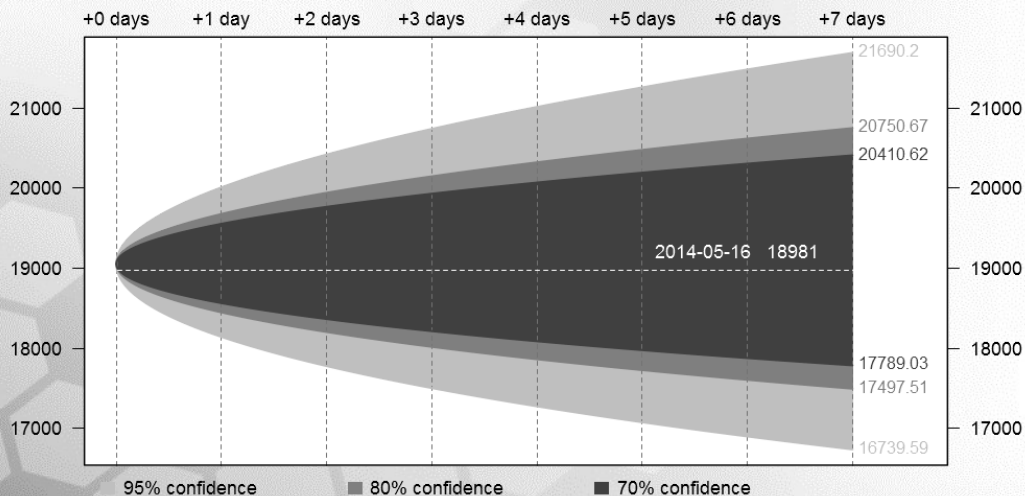
Aluminum Potential Rates



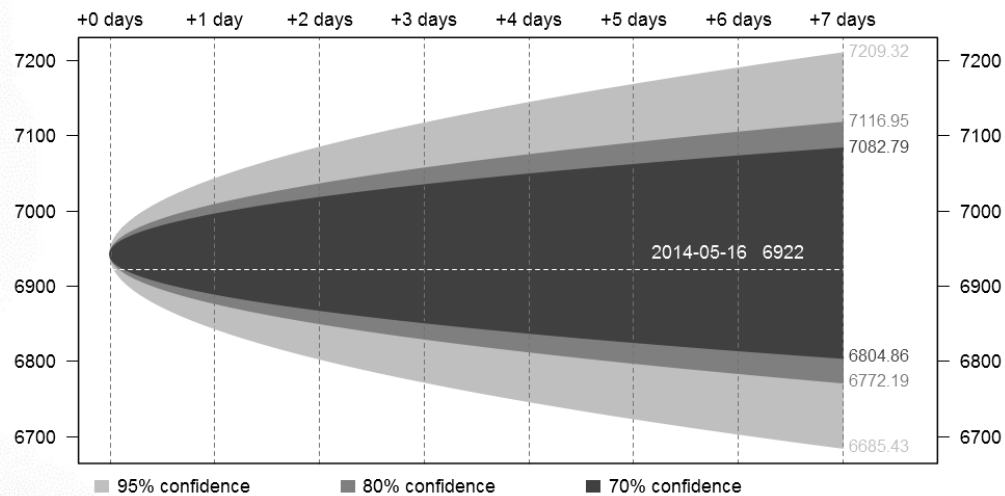
Copper Potential Rates



Nickel Potential Rates

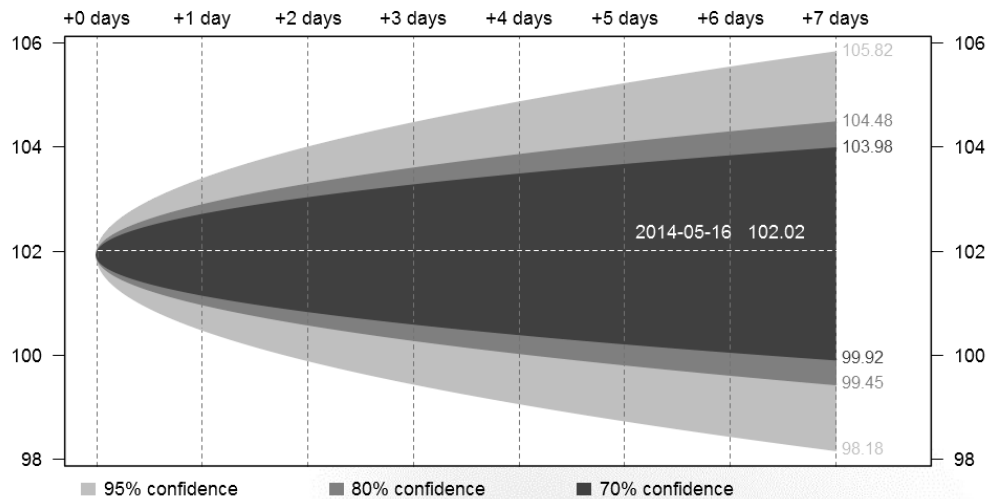


Copper Potential Rates

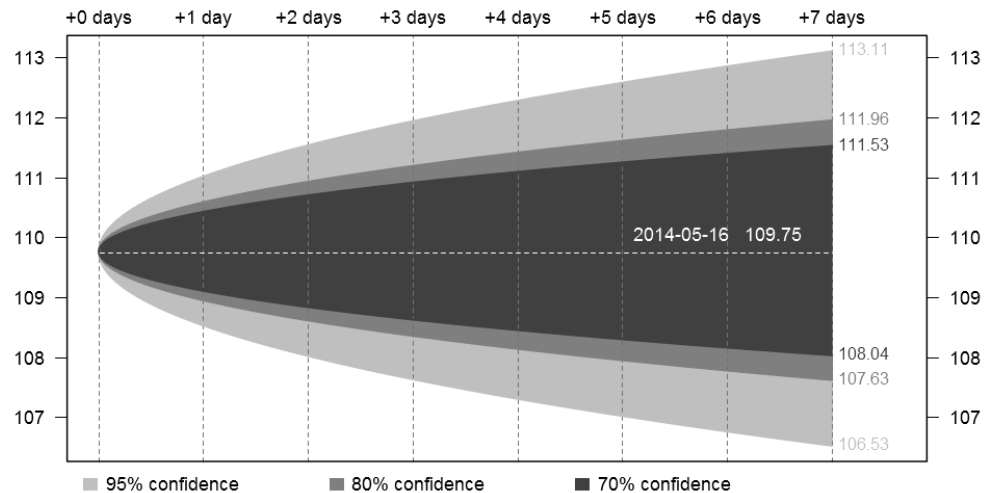


Energy Confidence Intervals for the Next 7 Days

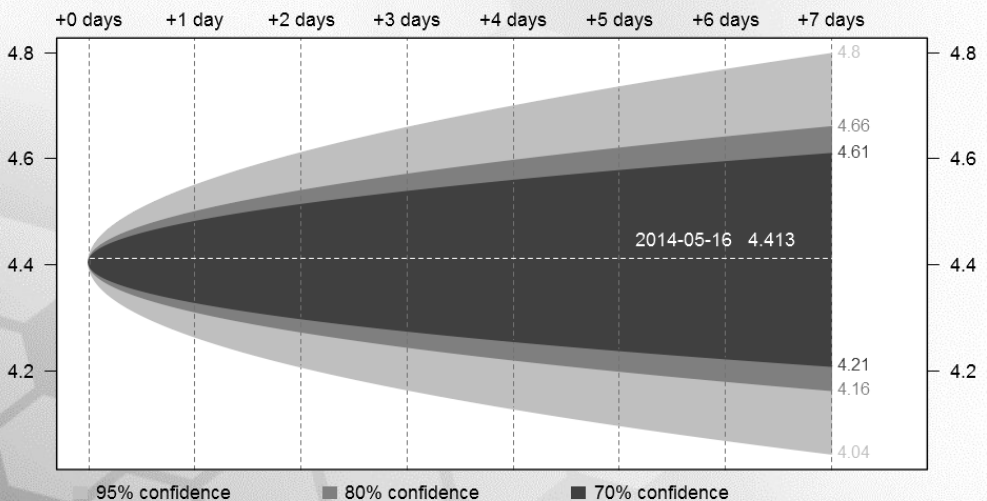
Crude.oil Potential Rates



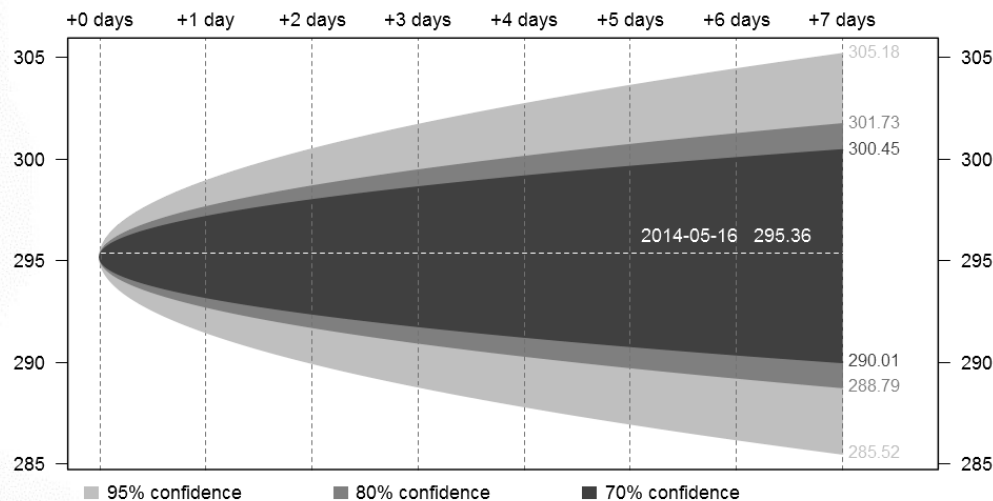
Brent.oil Potential Rates



Natural.gas Potential Rates



Heating.oil Potential Rates

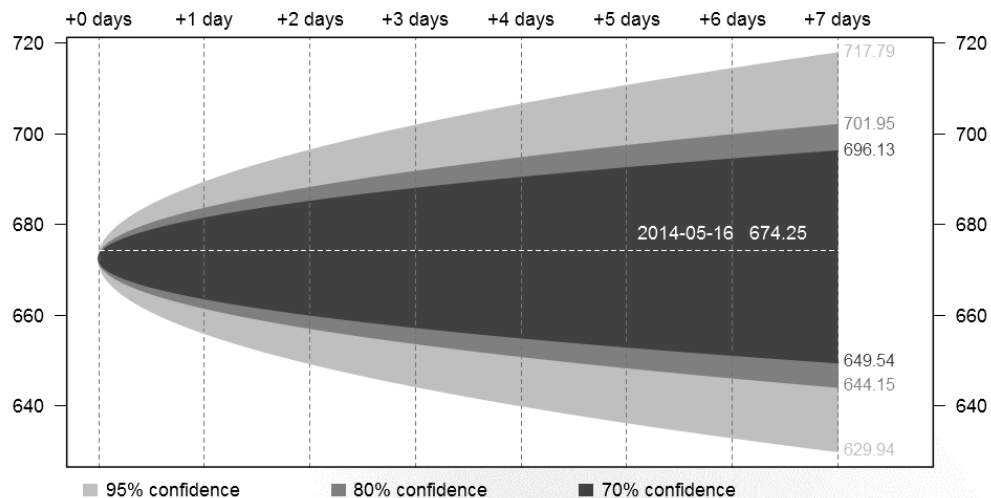


Agriculture Confidence Intervals for the Next 7 Days

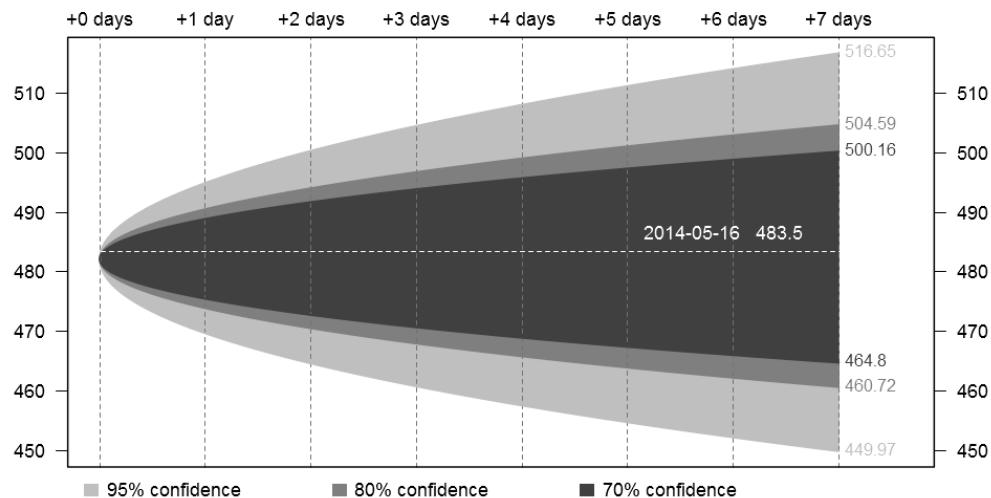
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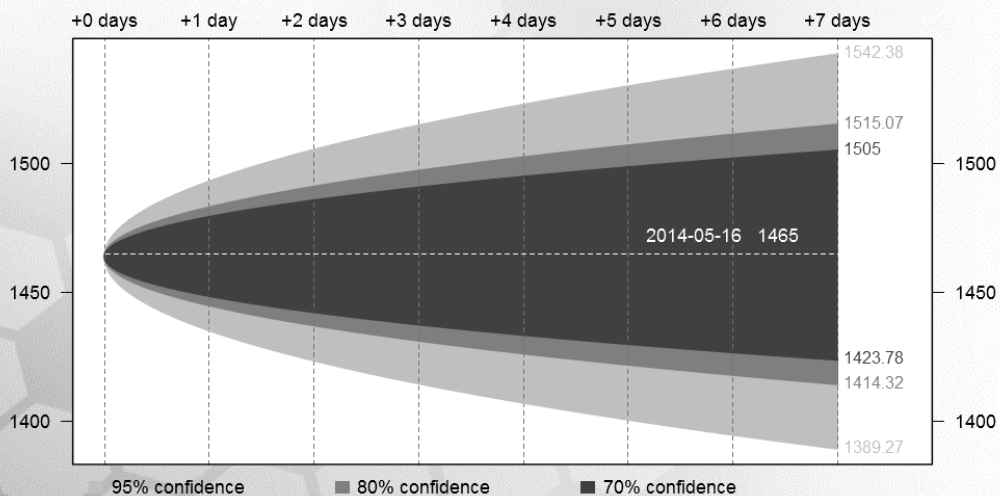
Wheat Potential Rates



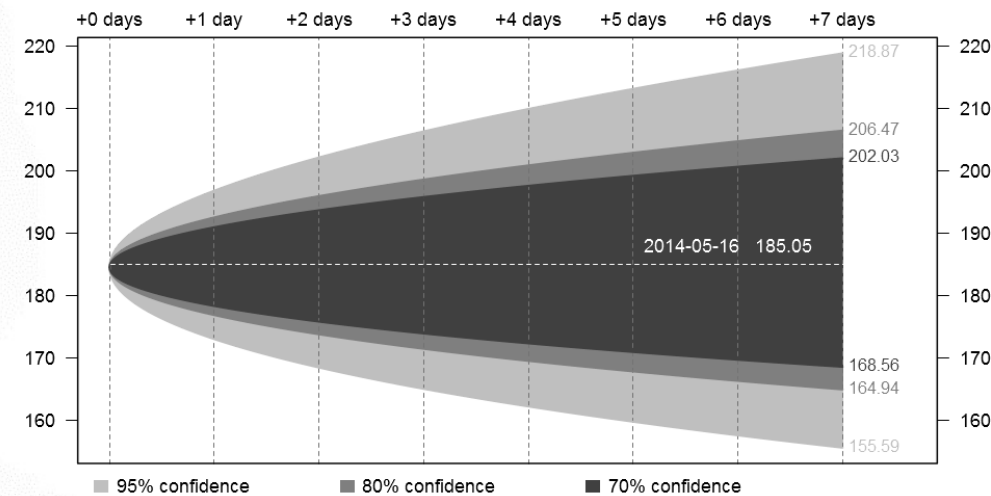
Corn Potential Rates



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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- Press Review
- Market Research
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- Trade Pattern Ideas
- Global Stock Market Review
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