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RESEARCH PRODUCTS

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# Weekly Commodity Overview

## Market Highlights



### ASIA-PACIFIC REGION

#### Japan's sales tax hike weighs on retail sales but pushes CPI up

Japan's retail sales plunged after the government raised sales tax to 8% from 5% in April. Retail sales dived 4.4% last month on an annual basis compared to a forecast of a 3.2% drop and preceding month's reading of a rise of 11%. Household spending also declined in April. Households spent by 4.6% less last month, while experts called for a 3.4% decline; household spending rose 7.2% in March. However, there was a positive side of the recent tax hike as well – core CPI climbed to a 23-year high of 3.2%.



### EUROPE

#### German data disappoints; Ukrainian worries ease

Last week was relatively calm in regards to European data releases. The most notable reports came from Germany, the biggest economy in the currency bloc, where retail sales and unemployment change missed estimates in April. Also regarding situation in Europe, Russia said it is ready to work with the newly elected Ukrainian President Petro Poroshenko; this allayed concerns over standoff between western economies and Russia.

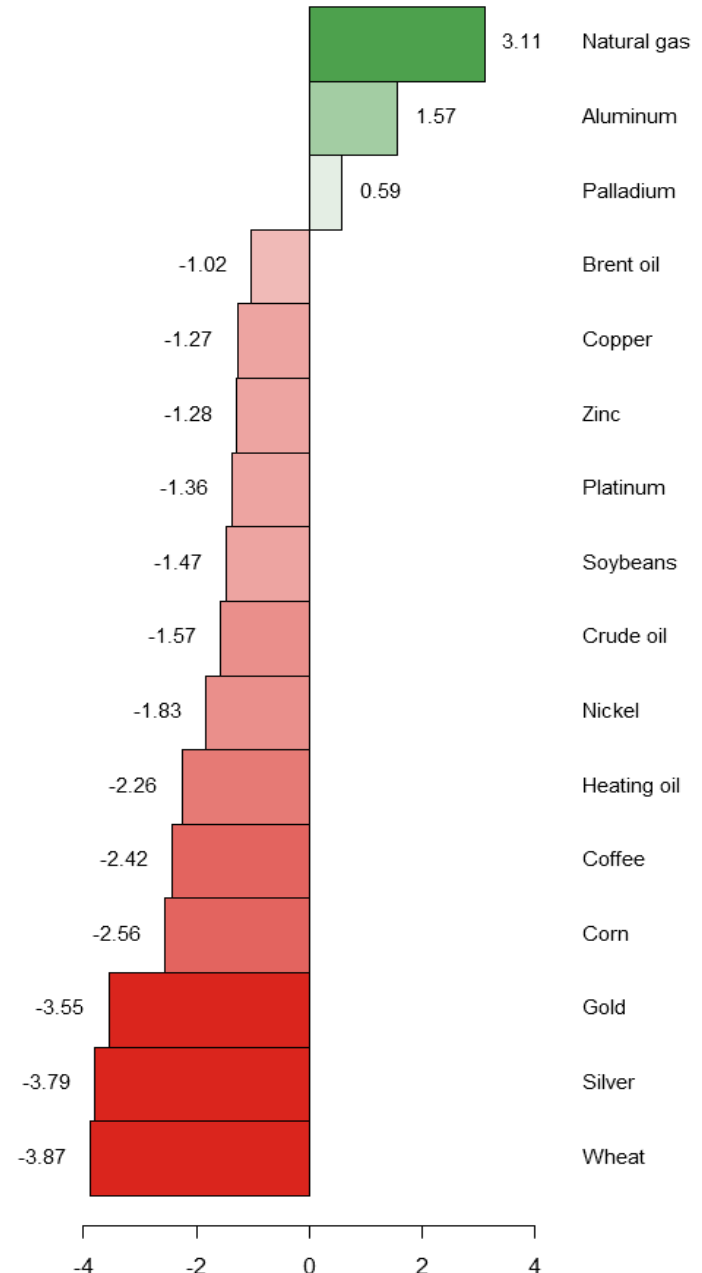


### NORTH AMERICA

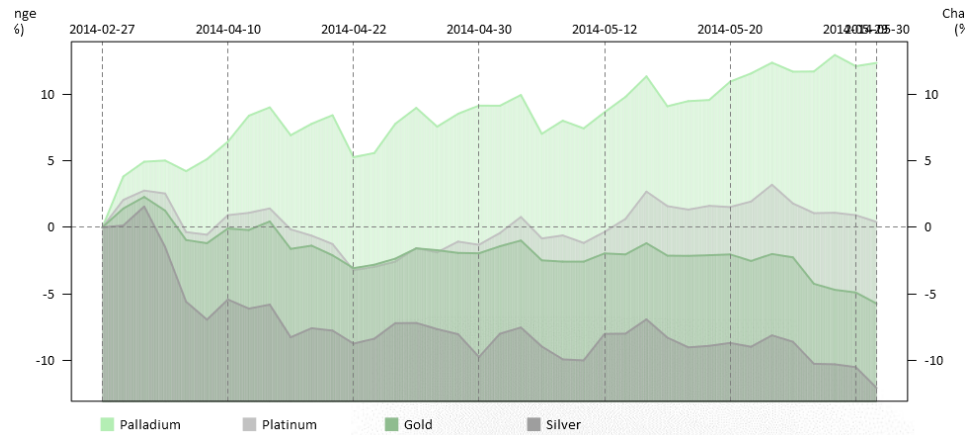
#### U.S. economy shrinks 1% in Q1

The world largest economy contracted for the first time since 2011 in the first quarter of the year. The GDP shrank 1% at annualized rate compared to a forecast of 0.6% decline and a growth of 0.1% in the preceding quarter. Separate reports showed mixed picture. Durable goods orders unexpectedly climbed 0.8% in April, while analysts expected a drop of 0.5% after a 2.9% gain in March. Meanwhile, core durable goods orders rose only 0.1% last month that is slightly less than a forecast of 0.2% and March's reading of 2.4%. Housing market data was on the negative side – pending home sales edged up only 0.4% in April after soaring 3.4% in March. Analysts projected a 1.1% gain.

## Weekly Ranked Price Moves (%)



# Precious Metals Swung to Losses as Risk Sentiment Improves



**Gold** was steadily losing value, retreating farther from the multiple-week high of \$1,300 per ounce reached in mid-May amid easing concerns over civil unrest in Ukraine. Furthermore, a rally on the stock markets signaled that investors have become more biased towards riskier assets, suggesting that the yellow metal lost its favour. Dwelling on weakening investors' demand, total known gold holdings in ETFs reached a five-year low last week.

From the physical demand side, central banks of Kazakhstan, Turkey and Belarus continued to increase their reserves, while the central bank of Mexico reduced holdings, reported the IMF. Meanwhile, India, the second largest gold purchaser, may import more gold in the second half of the year as government may ease import restrictions. Consumption may climb to 1,000 metric tonnes in 2014 that is more than 974.8 tonnes last year but slightly less than a record of 1,006.3 tonnes in 2010.

**Silver** swung to losses as improved risk sentiment put a drag on the safe-haven assets. At the same time, we note that the grey metal is better supported than its more expensive peer thanks to solid physical demand. Industrial demand is likely to add almost 3% in 2014, while Indian consumption is likely to remain strong after its gross imports soared to all-time high of 6,016 tonnes last year.

**Platinum and Palladium** were mixed last week. Despite several attempts to reach a consensus between platinum producers and miners in South Africa, the conflict stayed on place. An 18-week strike has already cost producers about \$1.9 billion in revenue and pushed ETF holdings to record highs. However, ideas that a previous rally was excessive pushed platinum futures by 1.26% down. Meanwhile, Palladium shortage may amount 1.6 million ounces in 2014, said Johnson Matthey Plc.

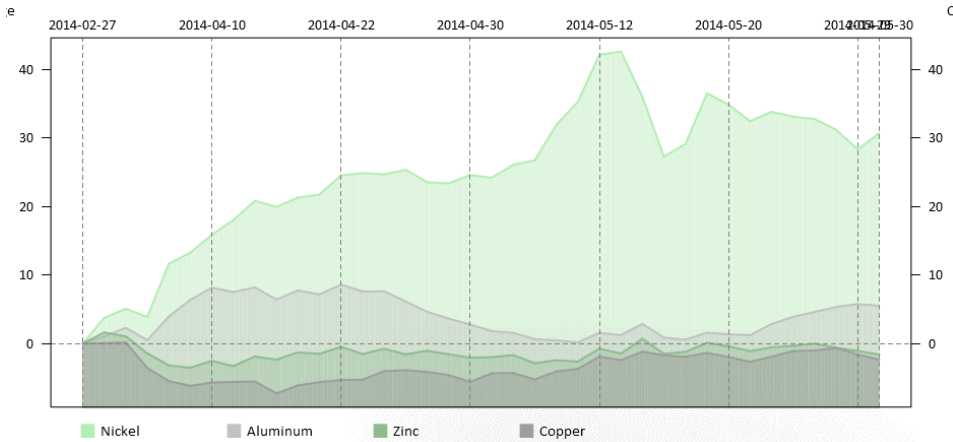
Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	-3.55	-3.85	-5.72	-3.13	-9.69	-10.48
Silver	-3.79	-2.57	-12.05	-9.84	-15.99	-16.96
Platinum	-1.36	1.74	0.41	0.6	-0.87	-0.28
Palladium	0.59	2.94	12.34	13.05	10.11	11.5

Changes in Total Known ETF Holdings (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Gold	0.46	-0.43	-1.24	-8.36	-19.6	-19.87
Silver	-0.01	0.48	1.14	-1.12	4.4	4.4
Platinum	0.54	3.55	11.61	16.38	42.73	44.45
Palladium	2.68	11.16	37.27	32.41	27.09	26.54

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	1 297	1 070	1 760	1 283.21	1 011	1 743	1 273.03	970	1 500	1 223.7
Silver	16.75	34	21.2	17	35	21.25	17	34	21.37	17	25	20.74
Platinum	1 300	1 845	1 520.67	1 320	1 835	1 560.58	1 369	1 820	1 589.33	1 450	1 900	1 618.67
Palladium	625	850	781.19	630	850	792.74	675	900	813.19	705	1 000	833.73

S&P GSCI Precious Metals Index	%
Weekly	-3.58
Monthly	-3.72
3 Months	-6.56
6 Months	-4.17
12 Months	-11.9

# Industrial Metals End Mostly in Red Despite Solid Gains Early in the Week



Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	1.57	2.69	5.53	3.88	-1.09	-1.59
Copper	-1.27	3.44	-2.37	-1.29	-5.75	-4.99
Nickel	-1.83	4.9	30.7	41.47	29.43	29.97
Zinc	-1.28	0.47	-1.61	10.53	10.5	9.69

Changes in LME inventories(%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Aluminum	-0.69	-2.96	-2.2	-5.05	-0.04	-0.3
Copper	-2.56	-26.56	-37.97	-59.57	-72.1	-71.96
Nickel	1.44	2.74	5.11	12.93	57.64	57.59
Zinc	-2.27	-8.38	-6.54	-26.02	-34.22	-34.69

**Aluminum** hit a one-month high last week as rising equities across the globe outweighed negative data from the U.S. released last week. The metal also saw some support on a slight de-escalation of tensions in the Eastern Europe after Russia said it is ready for a dialogue with the newly elected Ukrainian leader. Also supporting prices, United Co. Rusal, the largest producer of the lightweight metal in the world, said it expects the global market to swing to a deficit of 1.3 million metric tonnes in 2014.

**Copper** soared to 11-week high in the first part of the week as global cues showed that investors returned their favor to more growth-sensitive assets. Strong China's demand and a moderate improvement in manufacturing activity also remained in the forefront of investors' view. China's imports of the red metal rose 7.2% in April to 450,000 tonnes versus 420,000 tonnes in March and 379,000 tonnes in February. However, the metal failed to sustain the rally later in the week and closed 1.27% down.

**Nickel** ended lower despite strong gains early in the week stemming from global supply concerns. Russia and New Caledonia, the world's fourth and fifth largest producers of the metal, may reduce exports this year. Russia may become a subject of additional sanctions, while New Caledonia faces losses from riots. Damages to Vale mine may reach up to \$30 million; production at one of biggest mines in New Caledonia was suspended on May 7 after a chemical spill into a local river.

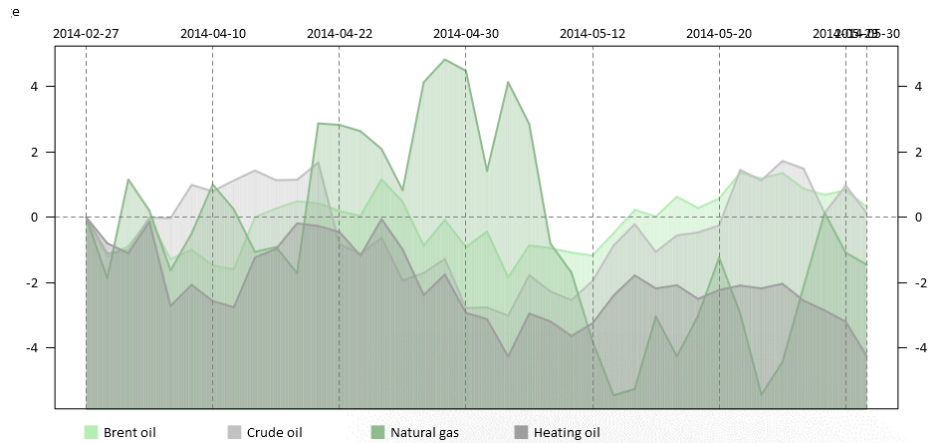
**Zinc** halted its winning streak despite the fact global shortage remained on the spotlight. According to the latest ILZSG data, global market was in deficit of 17,000 tonnes in the first quarter of the year. Adding to signs of solid demand, LME inventories continued to dwindle. Stocks on the LME dropped almost 35% year-to-date.

## 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	6 972.77	5 750	8 762	6 961.6	5 750	8 487	6 987.93	6 275	8 500	6 937.2
Zinc	1 720	2 359	2 027.44	1 608	2 403	2 058.93	1 532	2 447	2 118.96	1 643	2 381	2 128.28
Aluminum	1 608	2 304	1 844.25	1 536	2 271	1 856.86	1 463	2 215	1 904.39	1 536	2 049	1 912
Nickel	13 007	20 391	16 394.81	12 771	20 170	16 614.81	12 098	21 000	16 835.48	12 838	21 494	17 452.67

S&P GSCI Industry Metals Index	%
Weekly	-0.59
Monthly	2.56
3 Months	1.88
6 Months	2.34
12 Months	-6.74

# Energy Futures Decline on EIA, OPEC Data; Natural Gas Gains



**WTI and Brent oil** were trading higher in the beginning of the week being propped up by a recent fall in the U.S. inventories as well as by positive signals from the stock markets. However, both commodities swung to losses later in the week as supply-side support pertaining to turmoil in Ukraine started to fade away. OPEC data also added pressure on prices. OPEC output rose by 75,000 barrels per day to about 29.988 million barrels per day in May due to an increase in Angola's and Saudi Arabia's production, according to the Bloomberg survey.

Weekly EIA data failed to pull energy futures out from the negative area, showing that crude oil stockpiles climbed 1.7 million barrels in the week ended May 23, while analysts expected a 100,000-barrel decline. In the preceding week, crude oil stockpiles slumped 7.2 million barrels, much more than a forecast of 100,000-barrel drop.

**Natural gas** started the week on the positive note as updated weather forecasts called for above-normal temperatures in the most U.S. territory through the first week of June that is likely to boost demand for natural gas used to generate electricity for air-conditioning. However, natural gas paired gains after the EIA data indicated inventories climbed 114 billion cubic feet, more than expectations of a 110-billion-cubic-foot increase in the week ended May 23. Meanwhile, total storage stood at 1.380 trillion cubic feet that is 748 billion cubic feet less than in the same period last year and by 922 billion cubic feet less than the five-year average.

**Heating oil** failed to advance after the EIA said that distillate fuel supplies, which include heating oil and diesel, plunged 200,000 barrels in the week ended May 23 compared to a 290,000-barrel jump predicted by experts.

### Price Changes (%)

	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	-1.57	2.98	0.12	9.55	7.89	10.03
Brent oil	-1.02	1.24	0.31	1.04	5.21	7.03
Natural gas	3.11	-5.67	-1.45	25.99	7.05	8.07
Heating oil	-2.26	-1.36	-4.25	-1.45	-0.76	0.63

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

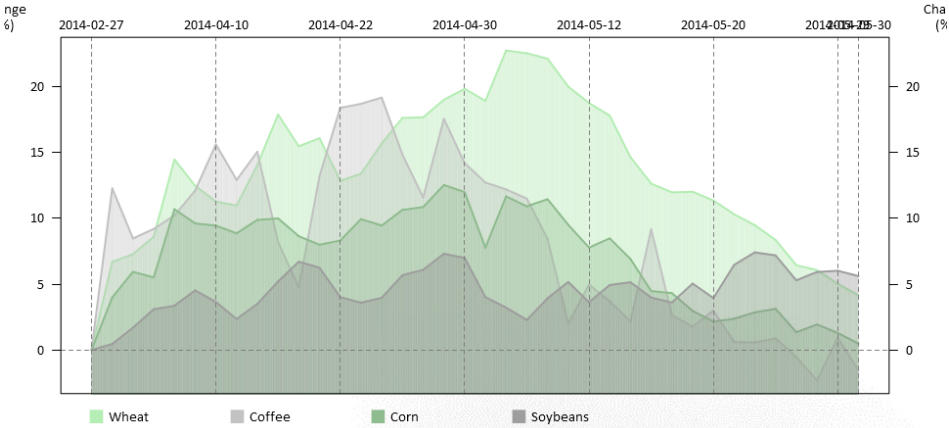
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Crude oil	0.42	-1.18	8.43	0.39	-1.16	-0.41
Gasoline	-0.84	0.75	-8.25	0.46	-3.46	-4.12
Natural Gas	9	53.5	2.37	-63.45	-35.54	-32.78
Distillate Fuel	-0.17	3.17	2.67	4.7	-3.8	-2.3

### 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	96.91	80	109	97.57	70	110	95.24	78	110	96.46
Natural gas	56	63.9	59.41	56	65.1	59.69	64	70.1	67.26	65	71	68
Heating oil	261	902.66	407.13	283	910.12	413.02	283	910.12	443.28	280	295	288.33
Brent oil	95	117.5	104.75	90	119	104.98	85	122	102.95	85	115	102.6

S&P GSCI Energy Index	%
Weekly	-2.07
Monthly	-8.08
3 Months	1.41
6 Months	5.93
12 Months	-6.8

# Agricultural Commodities Plunge as U.S. Farmers Accelerate Planting



**Wheat** plunged after Russia's agricultural minister said the country may produce 100 million tonnes of wheat this year compared to a previous forecast of 98 million tonnes. Meanwhile, additional selling pressure pertaining to rains that are expected to boost harvests in the U.S. and Europe was somehow mollified after Philippines, Algeria and Jordan issued tenders to buy combined more than 240,000 tonnes of the grain. USDA crop ratings also restricted the slump; only 30% of wheat crop was rated as 'good' or 'excellent' last week.

**Corn** started the week at a 12-week low as U.S. farmers sped up plantings. Around 88% of the corn was sown as of May 25 versus 73% in the preceding week. Moreover, Australian planting also was on the rise - plantings climbed 15%, reported Profarmer Australia. However, the grain limited losses due to demand-side support. Weekly export data gathered by the USDA showed that corn exports climbed to a four-year high in the week ended May 22. Moreover, there are talks that the U.S. officials may refuse to cut ethanol mandate this year that is a positive factor for corn used in biofuel production.

**Soybeans** traded in the red zone after reports showing that seeding surged to 57% in the week ended May 25 compared to 33% in the preceding week. U.S. export data was on the negative side as well—U.S. farmers sold only 89,000 tonnes of the oilseed in the week ended May 22. Soybeans also continued to feel pressure from South America, where Brazil, the top producing country, may harvest a record crop next season.

**Coffee** prolonged its decline, ending the week with a 2.42% loss as drier weather in Brazil may improve harvest. Moreover, bumper crops in the Central America weighted on the commodity. Earlier this year, Arabica beans surged to record highs as unfavorable weather in Brazil reduced damaged crops.

Price Changes (%)						
	Weekly	Monthly	3 Months	6 Months	12 Months	YTD
Wheat	-3.87	-13.06	4.15	-4.27	-10.62	-11.81
Corn	-2.56	-10.26	0.49	6.7	-15.47	-17.68
Soybeans	-1.47	-1.29	5.6	13.68	15.94	15.89
Coffee	-2.42	-13.77	-1.55	68.01	38.13	37.07

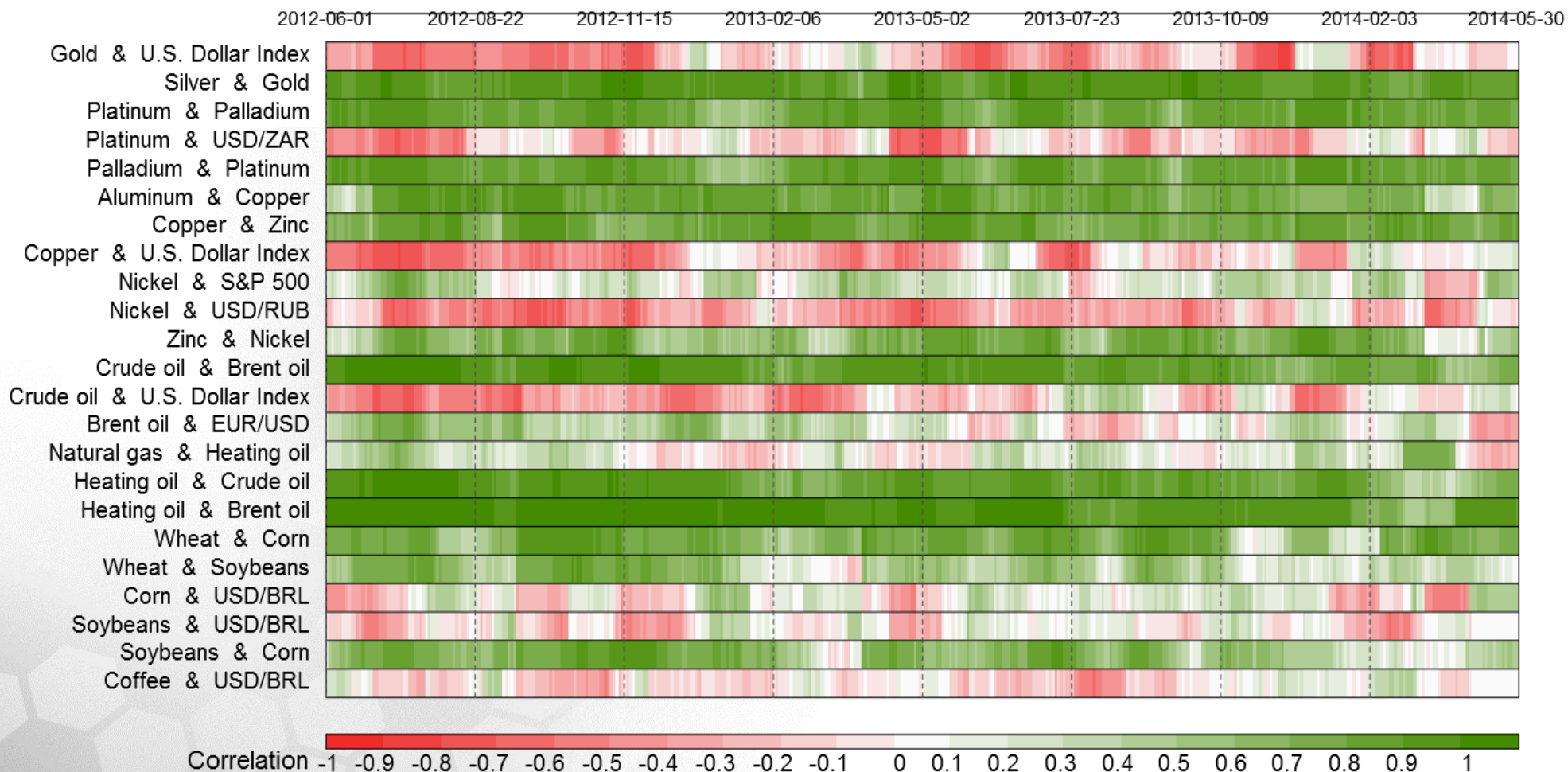
USDA Wasde Total Estimated Inventories						
	Forecast	Today	Month	3 Months	6 Months	YTD
Soybeans	0	170	13.33	-35.85	21.43	-8.11
Green Coffee	0	72225.22	0	0	-3.83	-6.98
Corn	-1.14	164330	8.53	6.27	39.27	27.23
Wheat	2.41	178480	1.25	-4.24	2.47	3.46

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	487.09	370	570	486.09	350	550	480.73	350	600	490.22
Coffee	152	199	175.17	150	203.3	174.38	150	216.7	170.45	130	218	168.33
Wheat	550	715	635.73	525	720	630.91	500	735	631.73	500	745	635.3
Soybeans	1 200	1 530	1 384.45	1 100	1 550	1 312	1 000	1 570	1 236.09	1 000	1 590	1 237.78

S&P GSCI Agriculture Index	%
Weekly	-1.26
Monthly	1.45
3 Months	0.68
6 Months	6.5
12 Months	10.71

# Correlation Matrix

## Correlation

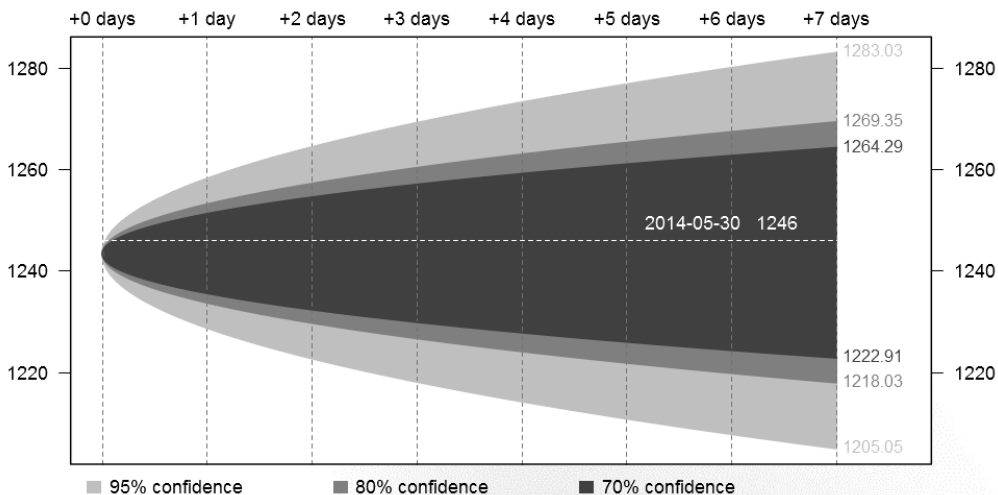


# Precious Metals Confidence Intervals for the Next 7 Days

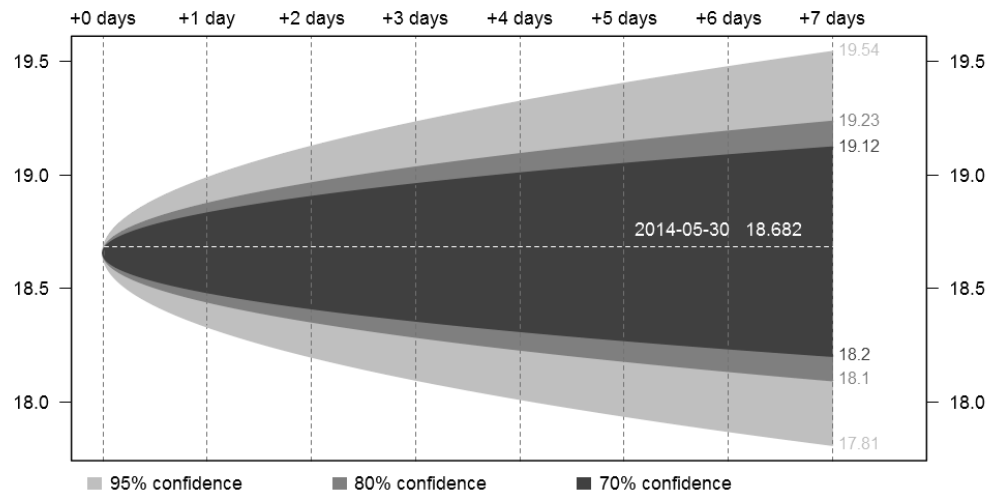
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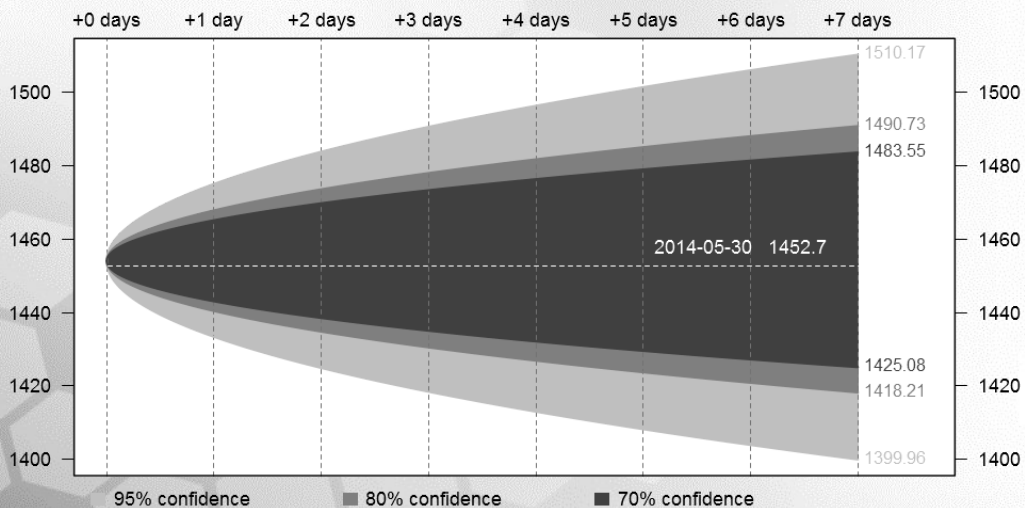
Gold Potential Rates



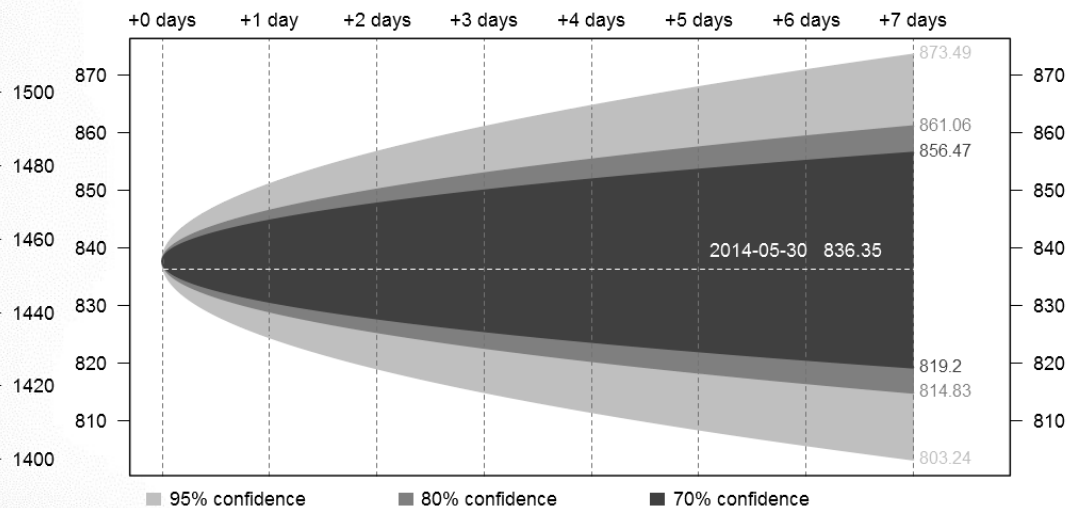
Silver Potential Rates



Platinum Potential Rates



Palladium Potential Rates



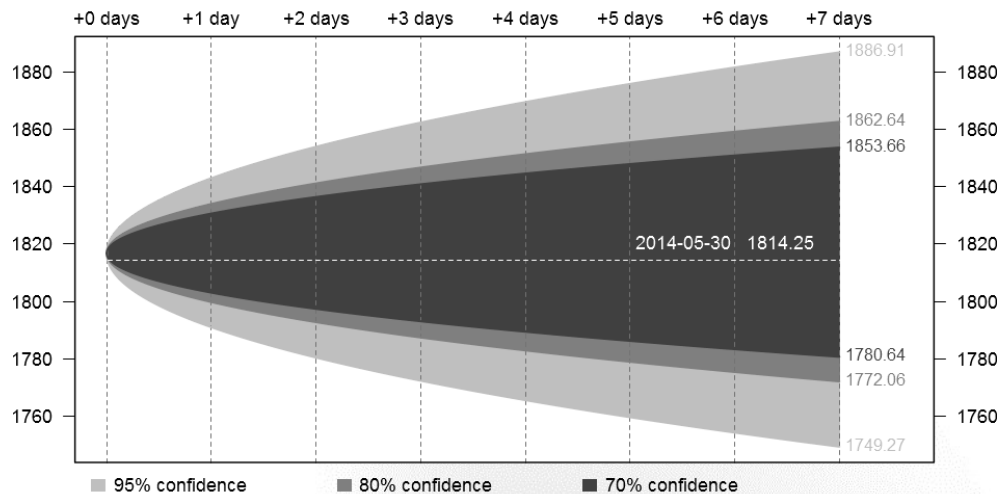


# Industrial Metals Confidence Intervals for the Next 7 Days

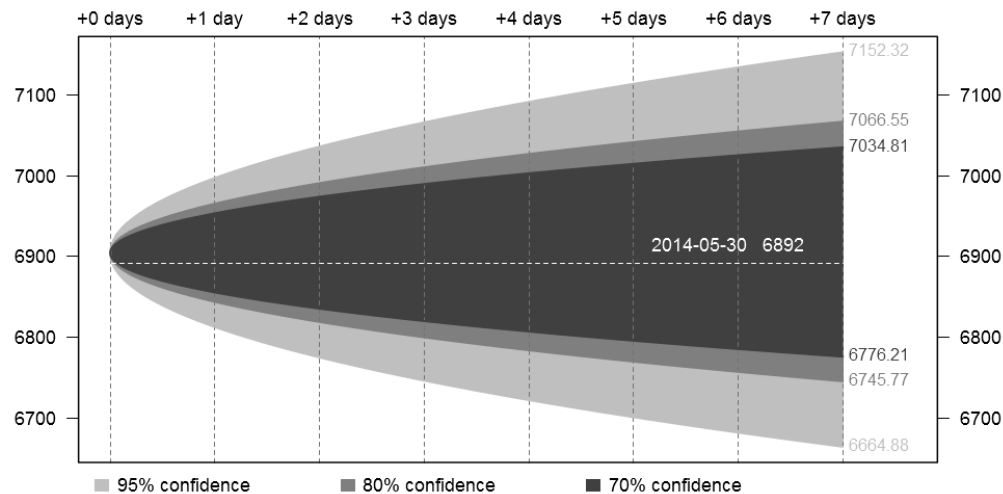
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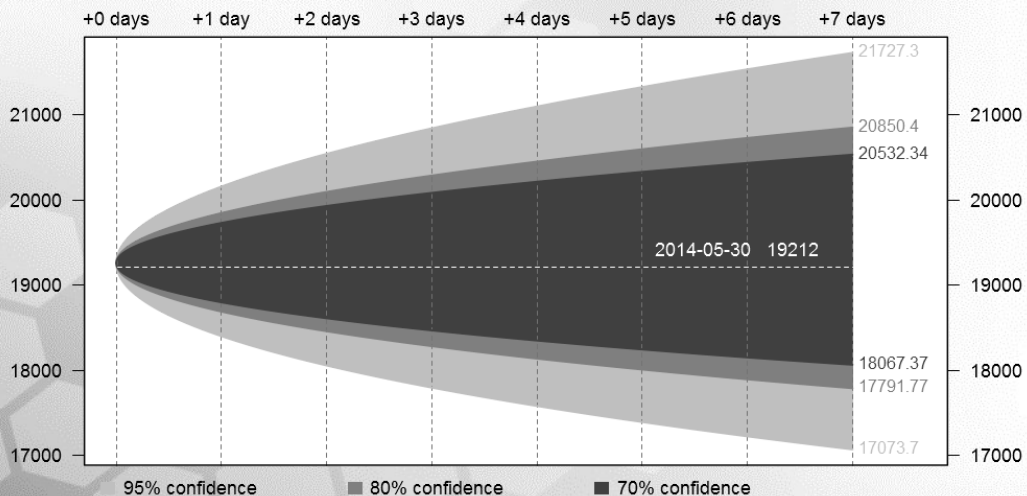
Aluminum Potential Rates



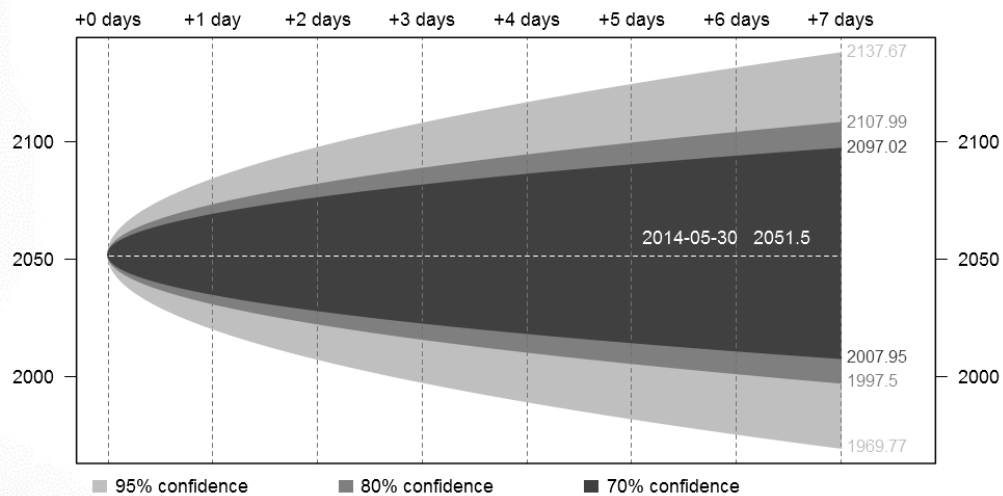
Copper Potential Rates



Nickel Potential Rates

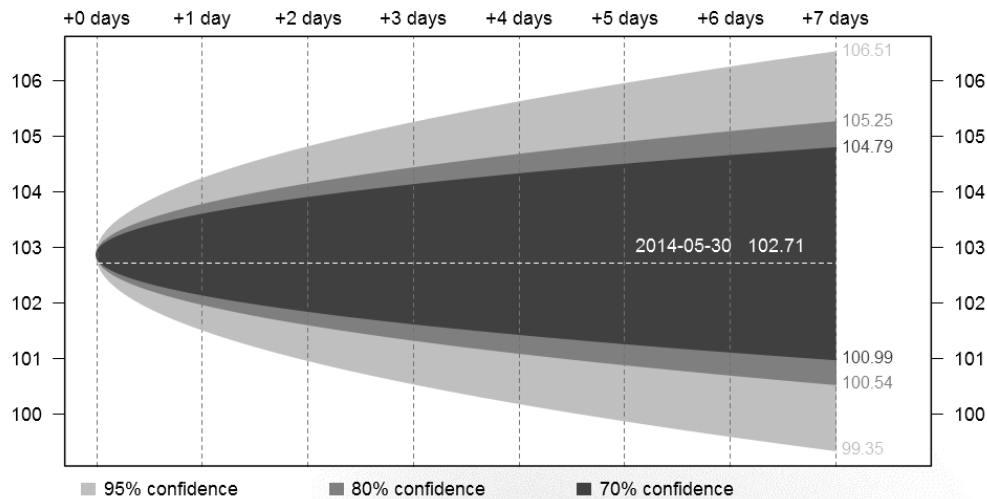


Zinc Potential Rates

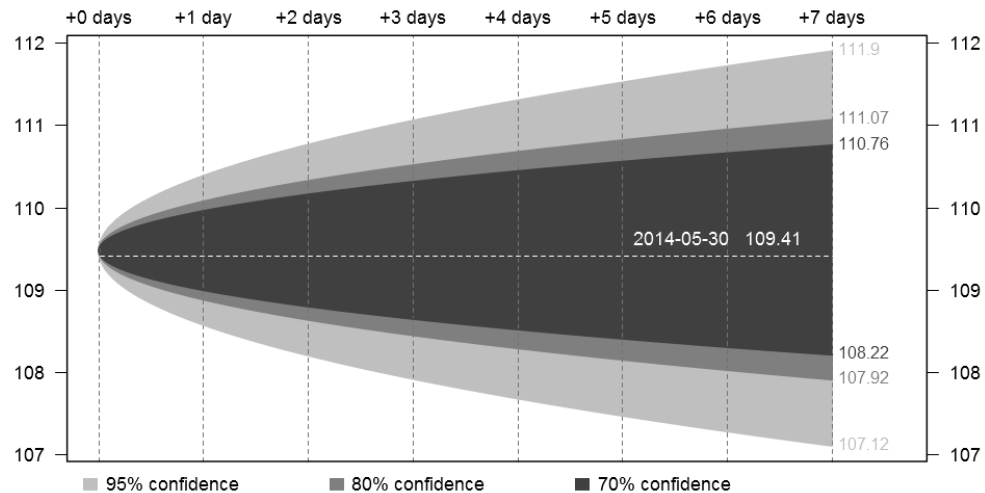


# Energy Confidence Intervals for the Next 7 Days

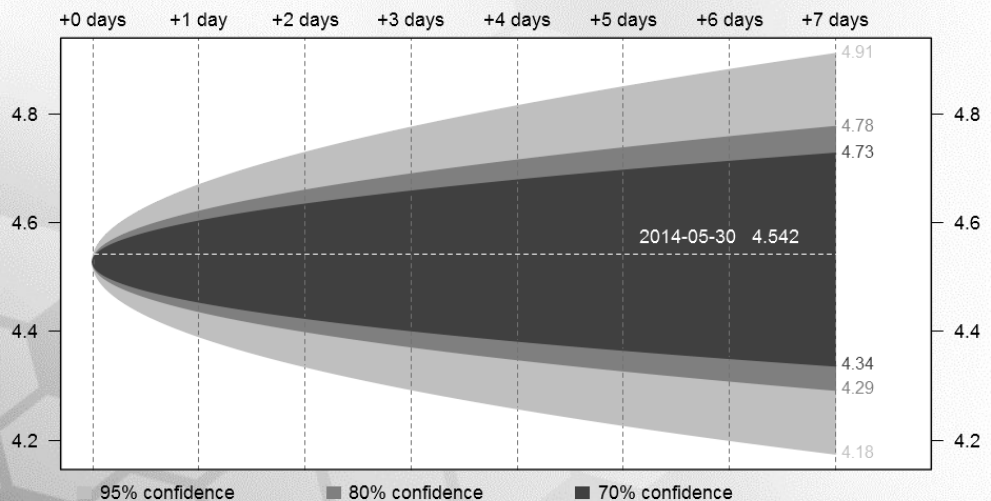
Crude.oil Potential Rates



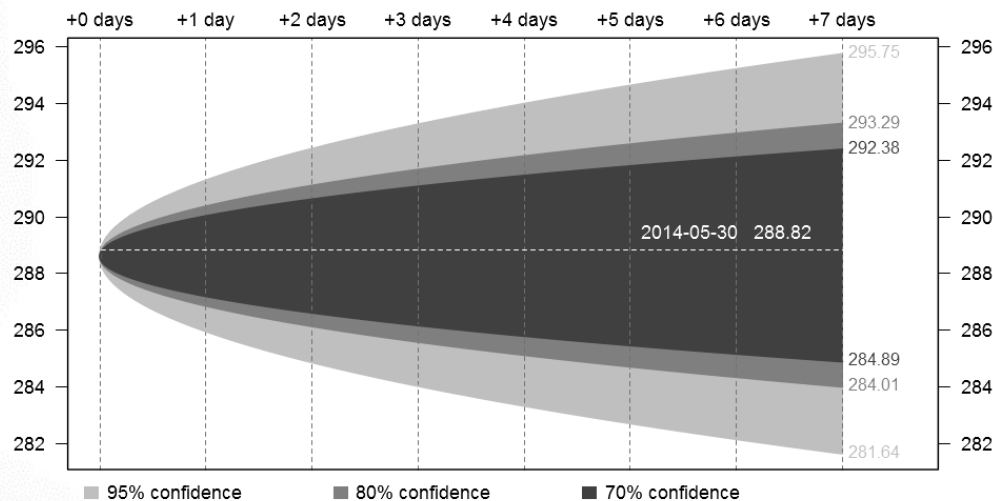
Brent.oil Potential Rates



Natural.gas Potential Rates

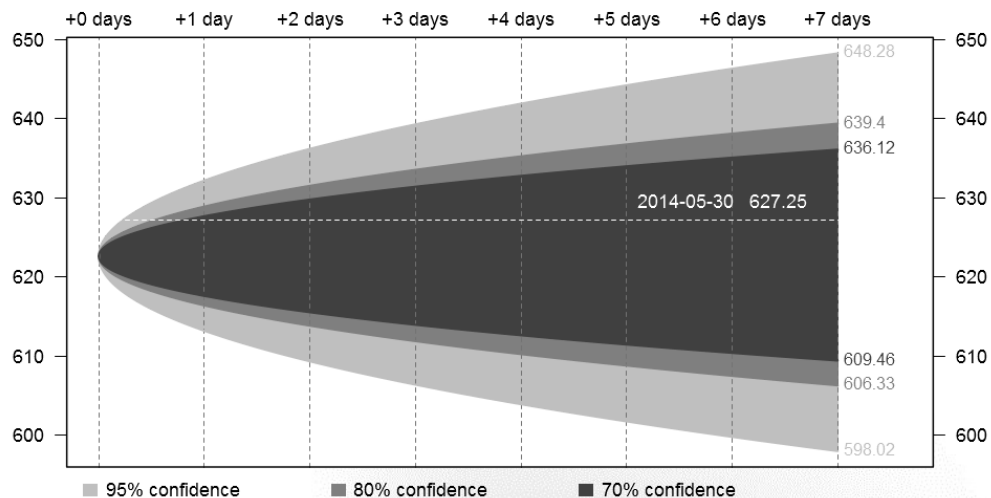


Heating.oil Potential Rates

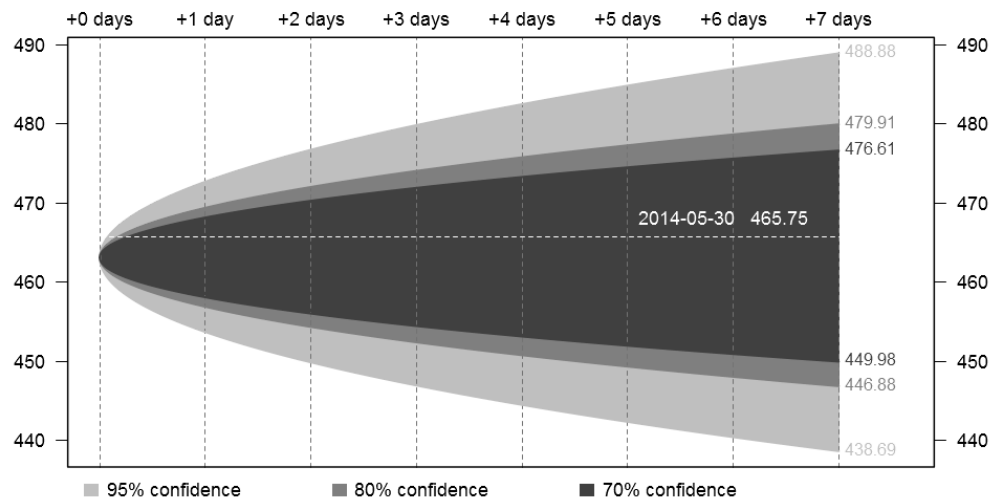


# Agriculture Confidence Intervals for the Next 7 Days

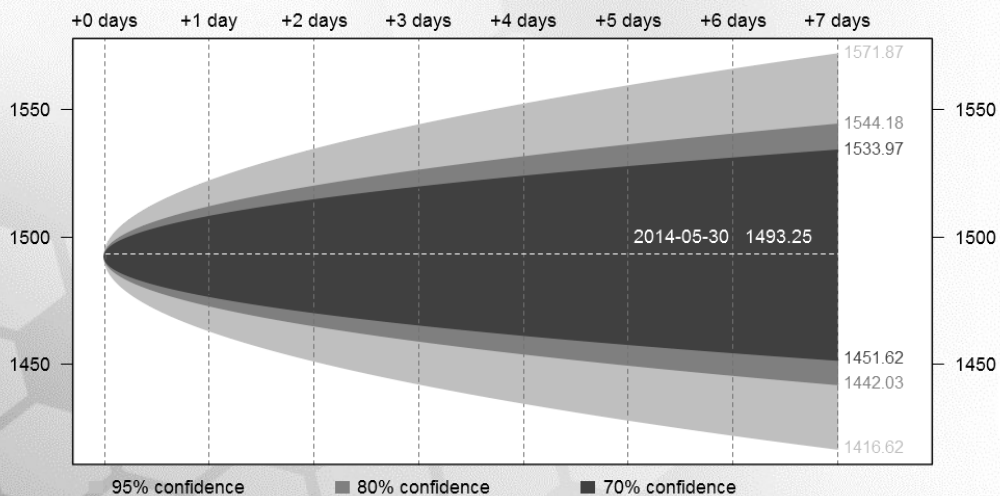
Wheat Potential Rates



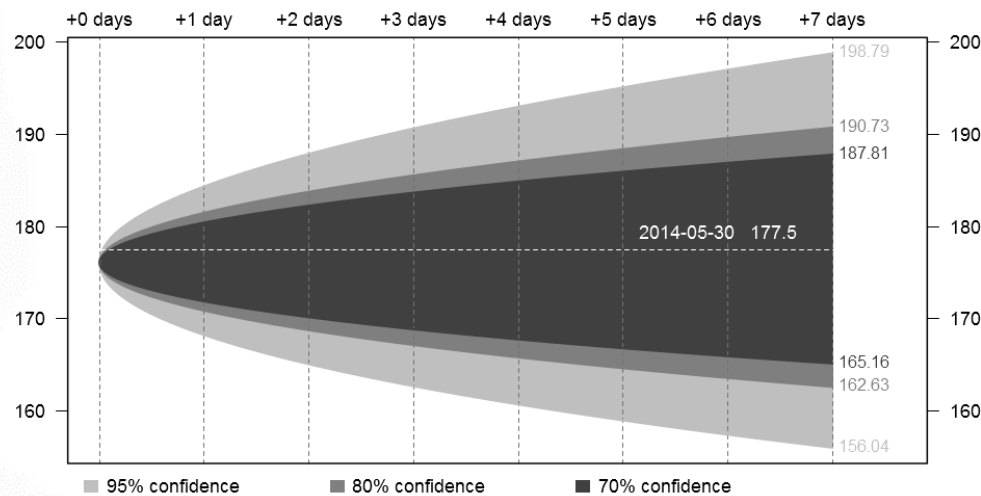
Corn Potential Rates



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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- Dukascopy Sentiment Index
- Trade Pattern Ideas
- Global Stock Market Review
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- Economic Research
- Quarterly Report
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