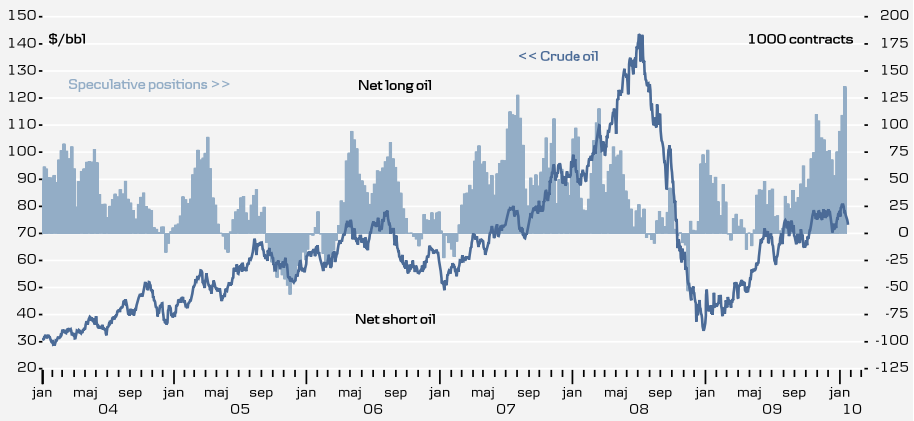
25 January 2010

Commodities Daily

Commodities news

- The past week's bearish news on Chinese policy tightening and President Obama's banking rules proposal continue to weigh on commodity markets. Oil prices fell close to USD74.0 on Friday, and gold has fallen below USD1,100 today but otherwise limited movements this morning. Equities closed lower in the US and Asia alike. Overall, risk sentiment has declined, and EUR/USD has edged lower to trade in the 1.41-1.42 range.
- The *Wall Street Journal* reports that a number of UK oil companies might resume their attempt to explore the oil reserves surrounding the Falkland Islands. Rising oil prices during the past year and advances in deep-water drilling technologies have lured firms to return to the area previously abandoned due to the harsh weather conditions. The area contains an estimated 60 billion barrels of high-grade oil; for comparison, the North Sea has so far provided around 40 billion barrels.
- The chairman of Libya's National Oil Co. said that he expects crude prices to remain in the USD70-80 range during 2010, emphasising that OPEC should aim at improving quota compliance to above 85%. The latest monthly OPEC oil-market report showed that compliance is currently below 60%. We remain doubtful that the cartel will actually be able to achieve such levels of compliance; however, we do not think that rising production will lead to a collapse in prices as demand should pick up as well, notably in Asia, during the course of the year.
- The CFTC report on positioning at US exchanges saw non-commercial net long positions in gold (COMEX) and oil (NYMEX) alike decline; in contrast, speculative positions in copper (COMEX) rose further last week. While our studies suggest that there is indeed a short-term effect of speculation on the oil price, a graphical inspection (see chart) highlights that in the longer term it is not immediately clear that speculators affect prices.
- Today's calendar is thin: main data releases are existing home sales and the Dallas Fed manufacturing activity index. Oilfield-services company, Halliburton, is due to publish its Q4 earnings report prior to the US opening.

Turning point? Speculative positioning in oil at NYMEX



Source: EcoWIn, Danske Markets

Today's key points

- Existing home sales
- Dallas Fed manufacturing index

Market overview

	Last obs.		% d/d
NYMEX WTI - 1.pos.	74.6	↑	0.04
ICE Brent 1.pos.	73.0	↑	0.29
ICE Gasoil 1.pos.	593	↓	-0.79
Aluminium, LME 3M	2234	↑	0.13
Copper, LME 3M	7350	↓	-0.54
Lead, LME 3M	2245	↑	0.36
Nickel, LME 3M	18320	↑	0.05
Zinck, LME 3M	2363	↑	0.55
Steel, LME3M	435	↓	-1.14
Gold	1100.4	↑	0.71
Silver	17.17	↑	1.06

Source: Bloomberg

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Bloomberg: DRFX <GO>

Commodity price overview

	25-01-2010		Month ago		Year ago		This year	
	Last price	%, d/d	Price	%, m/m	Price	%, y/y	Start level	YTD chg. %
Energy								
NYMEX WTI - 1.pos.	74.6	0.0	78.1	-4.5	46.5	60.5	79.4	-6.0
NYMEX Gasoline 1.pos.	196.6	0.0	199.0	-1.2	115.4	70.3	205.3	-4.2
ICE Brent 1.pos.	73.0	0.3	76.3	-4.3	48.4	51.0	77.9	-6.3
ICE Gasoil 1.pos.	592.8	-0.8	607.0	-2.3	416.8	42.2	635.5	-6.7
ICE Gasoil 0.1 % Cif ARA	596.5	0.7	611.0	-2.4	451.4	32.1	639.2	-6.7
ICE Carbon (€/tn), DEC-09	13.2	0.2	12.7	3.2	12.0	9.6	12.5	4.9
ICE NWE Jet fuel, cif cargo	661.5	0.7	670.0	-1.3	485.4	36.3	700.2	-5.5
TTF Natural Gas,€, 1. pos.	13.4	1.1	12.3	8.9	20.5	-34.5	13.0	3.1
Natural Gas, Nymex, 1.pos.	5.8	-0.4	5.6	2.7	4.5	28.3	5.6	4.1
API2, steam coal, 1st month	84.8	0.0	81.0	4.7	69.5	22.0	83.3	1.9
Nord Pool, Baseload,€, 1.pos.	50.8	4.9	40.8	24.5	-	-	42.6	19.2
Fuel oil, 1%, fob cargo, NWE	423.4	0.3	423.5	0.0	446.1	-5.1	258.5	63.8
Fuel oil, 1%, fob barge, ARA	447.8	-1.9	438.0	2.2	243.3	84.1	462.3	-3.1
Fuel oil, 3.5%, fob barge, ARA	409.3	-0.7	394.8	3.7	382.5	7.0	171.8	138.3
Base metals:								
Aluminium, LME 3M	2234	0.1	2255.0	-0.9	1342.0	66.5	2230.0	0.2
Copper, LME 3M	7350	-0.5	7070.0	4.0	3251.0	126.1	7375.0	-0.3
Lead, LME 3M	2245	0.4	2349.5	-4.4	1115.0	101.3	2432.0	-7.7
Nickel, LME 3M	18320	0.1	18650	-1.8	12100	51.4	18525.0	-1.1
Zinck, LME 3M	2363	0.6	2495.0	-5.3	1161.0	103.5	2560.0	-7.7
Steel, LME3M	435	-1.1	407.5	6.7	332.5	30.8	409.5	6.2
Preciuos Metals, spot:								
Gold	1100.4	0.7	1105.6	-0.5	896.4	22.8	1098.6	0.2
Silver	17.2	1.1	17.5	-1.9	11.9	43.6	16.9	1.4
Agriculturals, 1.pos.								
CBOT Wheat (USd/bushel)	500.5	0.4	524.5	-4.6	665.3	-24.8	541.5	-7.6
Matif Mill Wheat (€/t)	126.5	-0.6	129.3	-2.1	149.3	-15.2	131.3	-3.6
CBOT Corn (USd/bushel)	367.3	0.7	408.5	-10.1	390.5	-6.0	414.5	-11.4
CBOT Soybeans (USd/bushel)	953.8	0.2	999.5	-4.6	1,009.0	-5.5	1039.8	-8.3
NYBOT Sugar (USd/lb)	28.8	-1.6	26.5	8.6	12.4	132.5	26.9	6.8

Source: Bloomberg

Disclosure

This research report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The authors of this report are Arne Lohmann Rasmussen, Chief Analyst, and Christin Tuxen, Senior Analyst.

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