



KBC Commodities Report

Written by CSOB Prague and KBC Brussels - More research on www.kbc.be/dealingroom

Headlines

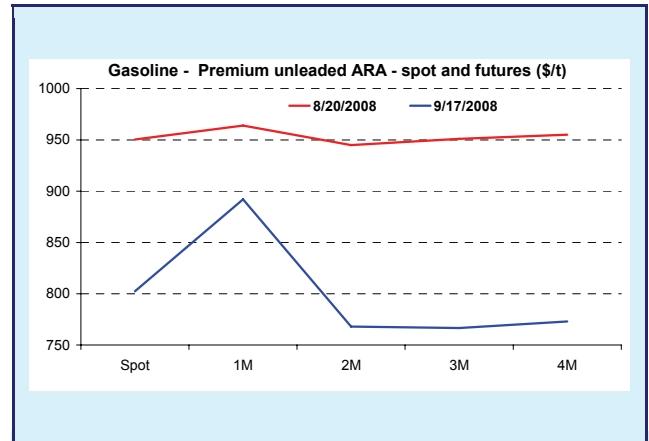
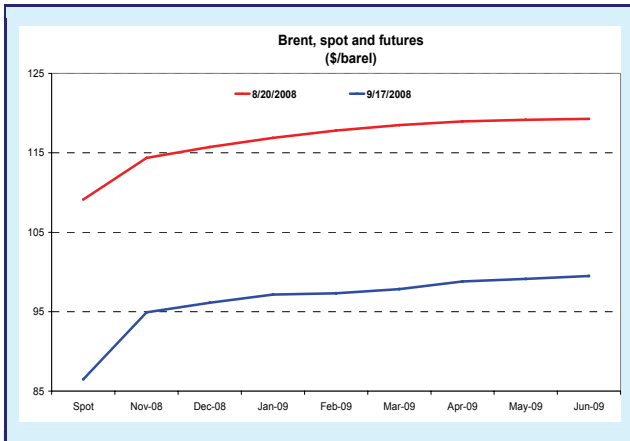
- Crude oil rebounds after U.S. inventories declined
- Financial turmoil returns gold above 800 \$/oz level
- Higher London stockpiles weight on aluminium

		17/9/08	16/9/08		10/9/08		20/8/08	
Crude		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Brent spot	USD/b	86.48	86.25	0.27%	96.40	-10.29%	109.12	-20.75%
Brent - 1M	USD/b	92.35	88.48	4.37%	98.96	-6.68%	113.08	-18.33%
Brent - 2M	USD/b	94.65	90.78	4.26%	100.81	-6.11%	114.43	-17.29%
Brent - 3M	USD/b	95.90	92.15	4.07%	102.17	-6.14%	115.77	-17.16%
WTI spot	USD/b	93.49	91.46	2.22%	102.66	-8.93%	115.48	-19.04%
1,0% Fuel Oil FOB Barges Rdam	USD/t	489.25	483.00	1.29%	538.00	-9.06%	649.25	-24.64%
3,5% Fuel Oil FOB Barges Rdam	USD/t	455.75	460.25	-0.98%	534.00	-14.65%	601.25	-24.20%
Jet FOB Barges Rdam	USD/t	958.50	965.75	-0.75%	1003.00	-4.44%	1102.50	-13.06%
Gasoil 0.2 Spot Barges Rdam	USD/t	864.50	865.25	-0.09%	900.00	-3.94%	985.50	-12.28%
Diesel 10 PPM FOB Barges Rdam	USD/t	903.25	910.75	-0.82%	944.25	-4.34%	1011.25	-10.68%

		17/9/08	16/9/08		10/9/08		20/8/08	
Base Metals - LME 3 M		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Cu	USD/t	6795	6870	-1.09%	6840	-0.66%	7515	-9.58%
Sn	USD/t	18300	18150	0.83%	18325	-0.14%	20500	-10.73%
Pb	USD/t	1795	1795	0.00%	1799	-0.22%	1770	1.41%
Zn	USD/t	1705	1748	-2.46%	1750	-2.57%	1750	-2.57%
Al	USD/t	2510	2537	-1.06%	2626	-4.42%	2763	-9.16%
Aa	USD/t	2225	2220	0.23%	2295	-3.05%	2460	-9.55%
Ni	USD/t	17550	17525	0.14%	18500	-5.14%	19925	-11.92%

		17/9/08	16/9/08		10/9/08		20/8/08	
Precious Metals - spot		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Au	USD/oz	864.2	778.55	11.00%	752.5	14.84%	813.65	6.21%
Ag	USD/oz	12.05	10.49	14.87%	10.66	13.04%	13.27	-9.19%
Pt	USD/oz	1133	1064	6.48%	1177.5	-3.78%	1379.5	-17.87%
Pd	USD/oz	248	225	10.22%	228	8.77%	285.5	-13.13%

Brent and Distillates



Crude oil rebounded Wednesday as concerns eased over the insurance giant **AIG** potential collapse. Also attacks on Nigerian oil installations and supply disruptions in the U.S. after hurricanes provided some support to the market.

U.S. weekly inventory data showed declines in crude and product stocks. **Crude stocks** dropped 6.3 mln.b., well above the consensus forecast for a fall of 3.8 mln., reflecting delays to imports which dropped 71 kb/d to average 8.51mln.b/d last week. **Petrol stocks** fell 3.3mln.b., an eighth consecutive weekly decline that took inventories to their lowest level since the U.S. government started issuing the data in 1990.

The draws largely reflect a combination of **lower imports** due to the closure of both the Louisiana Off-shore Oil Platform and the Houston Ship Channel ahead of the arrival of Hurricane Ike. The **production shut following Hurricane Gustav** will also impact the stock levels.

Nigeria's main militant group continued its attacks on the country's oil installations Wednesday, saying it destroyed a major pipeline operated jointly by Shell and Eni in the south of the country and a Shell flow station. The latest wave of attacks has had limited im-

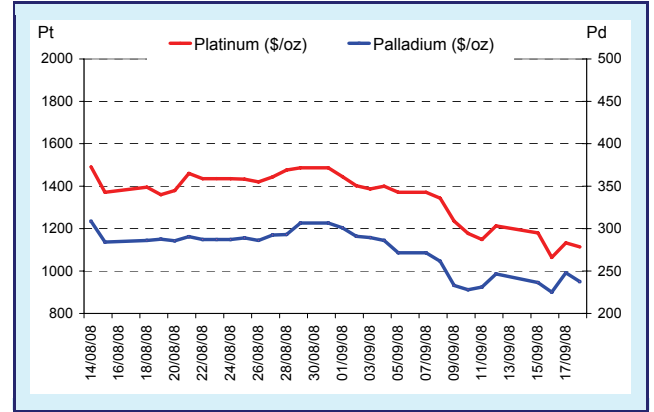
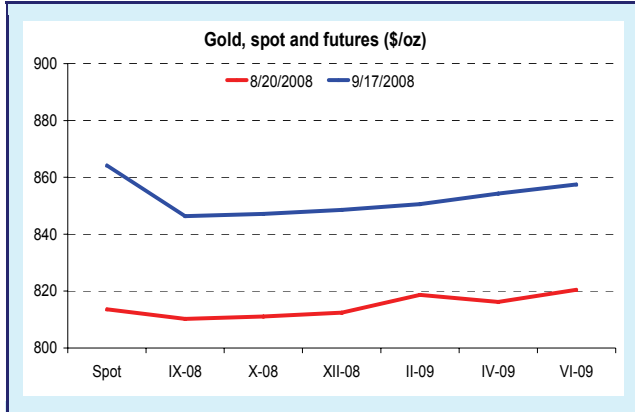
pact on output so far, with outages estimated at 100 kb/d, but a full-scale conflict with the military could leave the country's key oil infrastructure in tatters, and could lead to a complete shutdown of oil exports.

Goldman Sachs, until now the most bullish bank on oil prices, **slashed its average 2009 U.S. crude oil forecast by 25 \$ to 123 \$/b** on Wednesday after this summer's price surge lowered demand. According to a note to clients dated Sept. 16 the research team predicts it will take longer to get to previous price targets. Goldman also cut its three-month forecast to 115\$/b from 149\$, and its six-month target to 125\$ from 142\$/b. However, they do not exclude prices could drop to 75\$/b in the event of a global recession.

IEA executive director N. Tanaka said on Wednesday there was a **risk of global recession** if oil prices stayed around the current level, i.e. above 90 \$/b barrel, and hurt emerging economies. "It very much depends what will happen if high prices affect the emerging economies, China, India and the Middle East, still their growth being very robust."



Precious Metals



Gold climbed on Wednesday in tandem with other precious metals, as FED rescue of troubled insurer AIG gave battered financial markets a bit of a respite. Gold was lifted by hopes that more stable financial markets might help revive interest in beaten-down commodities. After breaking through key technical breakout levels 800 \$/oz in the mid-morning New York session, prices climbed almost unabated while headlines detailing various new and revisited market fears kept the ball rolling. These included a car bomb exploding outside the U.S. embassy in Yemen and plummeting share values of the top two U.S. investment banks.

Gold rose modestly on Thursday morning, extending an unprecedented yesterday's surge, but the previous day's rally could hardly continue.

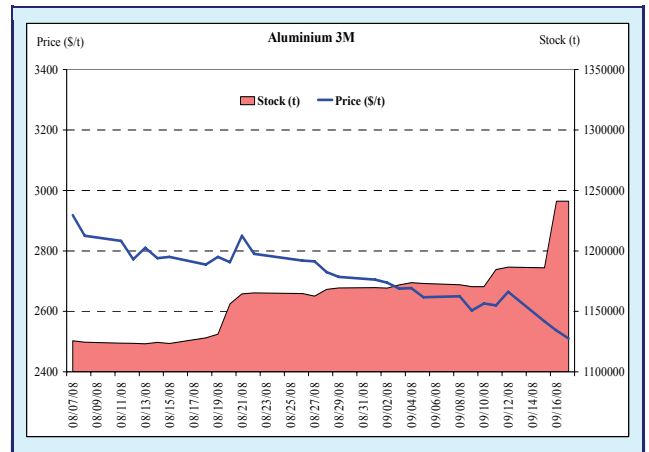
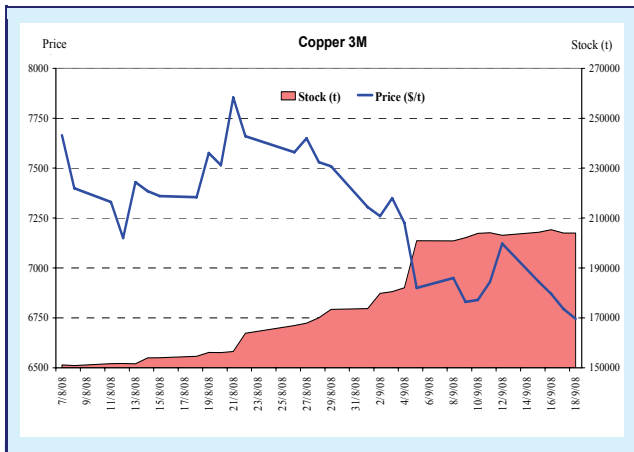
Platinum jumped more than 6% on short covering, offsetting a near 10 % plunge the previous day. But sentiment remained gloomy as many believe that the latest financial crisis in the U.S. could cause the global economy to slow further, crimping demand for the white metal, mainly used in autocatalysts.



Base Metals

Base metal - Stock (t)

	16/09/08	15/09/08	09/09/08	19/08/08
Cu	203975	205325	203850	156125
Sn	5300	5300	5665	5760
Pb	73100	73100	75925	90050
Zn	157900	158025	159500	163675
Al	1241150	1241150	1170400	1156150
Aa	73400	73400	71840	62980
Ni	51540	51540	50376	45774



On Wednesday bearish sentiment prevailed among the **base metals**, with aluminium down 1.7% following a second day of large LME inventory increase as rising stocks confirmed fears that a global slowdown was damping demand for raw materials. Conditions are still negative for base metals. U.S. housing starts are at their lowest since 1991 and there is potential for some very rocky conditions. Base metal investors are worried also by concerns of the health of global demand, particularly out of dominant China.

Japan's aluminium port stocks stored at the country's three major international ports stood at 244-

245mtn.t at end-August, the highest level in 18 months, local trading houses said Wednesday. A 20% hike in end-August stocks over end-July was due to changes in ship arrival schedules and slowing demand.

Today, OZ Minerals announced that it plans to **cut zinc production** at its Golden Grove mine in Australia by 50 kt in 2009, a drop of about 35-40% on its 2008 output forecast, due to falling prices.

Technical Analysis

BRENT - NEW REACTION LOW IN FLAG OFF HIGH (SEE GRAPH)



/LCOc1 (Brent Futures: 93.75 Daily charts).

Drop from new high sent the contract to a new reaction low, below channel bottom off 50.75 and in Flag pattern off high (see graph).

.8683 has been approached.

1st support area at 91.51 (daily envelope bottom), with next levels at 88.90/ 88.44 (current new reaction low/ weekly envelope bottom), ahead of 87.70 (daily Bollinger bottom + 61% .50.75 to 147.50) and 86.83/ 86.36 (Feb 07 low/ daily Flag bottom off high): suspect tough on 1st tests.

Failure to hold would be indication of more corrective losses in the offing: would then see risk towards 85.88/ 85.00 (daily Starc bottom/ Jan 22 low), where a pause would be expected.

1st Resistance area at 95.72 (daily envelope top), with next levels at 99.62 (daily Medium Term Moving Average↓), ahead of 104.29/ 104.57 (daily Flag top off high: see graph/ daily Bollinger midline): would need sustained trade above to indicate lost short term downside momentum.

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