



KBC Commodities Report

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

Headlines

- Brent hovers just above 130 \$/b
- Stronger greenback sends gold below 900 \$/oz today
- Base metals lower in London

		28/5/08	27/5/08		21/5/08		30/4/08	
Crude		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Brent spot	USD/b	128.57	128.57	0.00%	126.93	1.29%	110.57	16.28%
Brent - 1M	USD/b	129.10	126.63	1.95%	132.26	-2.39%	112.73	14.52%
Brent - 2M	USD/b	130.50	128.03	1.93%	133.66	-2.36%	112.43	16.07%
Brent - 3M	USD/b	130.50	128.47	1.58%	134.42	-2.92%	112.24	16.27%
WTI spot	USD/b	128.74	128.78	-0.03%	132.99	-3.20%	113.70	13.23%
1,0% Fuel Oil FOB Barges Rdam	USD/t	605.75	620.25	-2.34%	640.25	-5.39%	564.00	7.40%
3,5% Fuel Oil FOB Barges Rdam	USD/t	544.75	559.50	-2.64%	562.50	-3.16%	480.00	13.49%
Jet FOB Barges Rdam	USD/t	1358.75	1382.25	-1.70%	1376.75	-1.31%	1173.50	15.79%
Gasoil 0.2 Spot Barges Rdam	USD/t	1229.25	1240.50	-0.91%	1236.50	-0.59%	1061.25	15.83%
Diesel 10 PPM FOB Barges Rdam	USD/t	1292.75	1314.75	-1.67%	1293.00	-0.02%	1123.75	15.04%

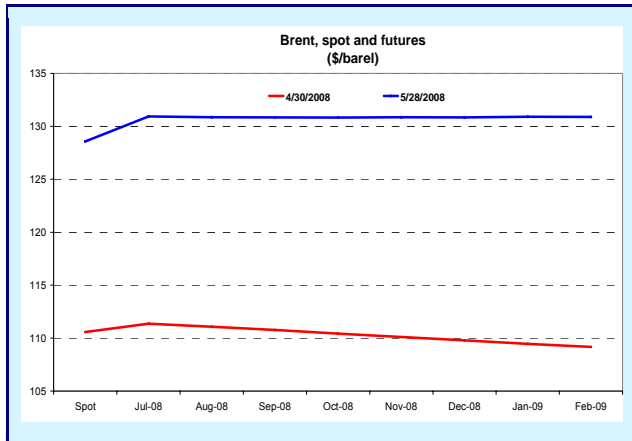
		28/5/08	27/5/08		21/5/08		30/4/08	
Base Metals - LME 3 M		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Cu	USD/t	8095	8190	-1.16%	8240	-1.76%	8549	-5.31%
Sn	USD/t	23600	24200	-2.48%	24250	-2.68%	23175	1.83%
Pb	USD/t	2028	2055	-1.31%	2147	-5.54%	2714	-25.28%
Zn	USD/t	2120	2151	-1.44%	2205	-3.85%	2230	-4.93%
Al	USD/t	2960	2997	-1.23%	3020	-1.99%	2907	1.82%
Aa	USD/t	2690	2710	-0.74%	2740	-1.82%	2675	0.56%
Ni	USD/t	22500	23300	-3.43%	25200	-10.71%	28550	-21.19%

		28/5/08	27/5/08		21/5/08		30/4/08	
Precious Metals - spot		Close	Close	Daily Change	Close	Weekly Change	Close	Monthly Change
Au	USD/oz	901.1	905.8	-0.52%	932.35	-3.35%	870.95	3.46%
Ag	USD/oz	17.41	17.43	-0.11%	17.99	-3.22%	16.87	3.20%
Pt	USD/oz	2069	2128	-2.77%	2200.5	-5.98%	1927.5	7.34%
Pd	USD/oz	436.5	440.5	-0.91%	458.5	-4.80%	421.5	3.56%

KBC Bank N.V. - Treasury and Capital Markets Front Office, Market Research

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Brent and Distillates

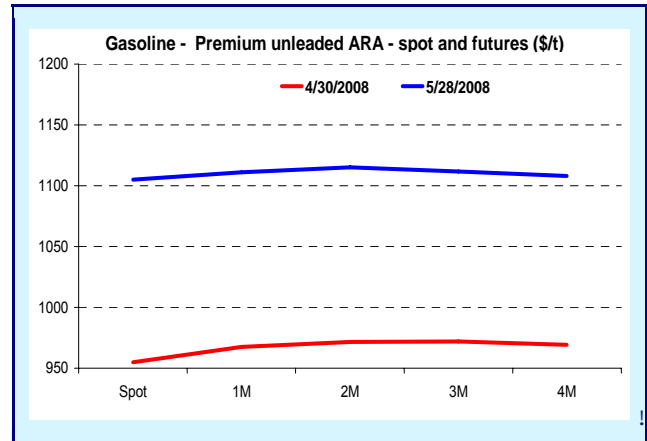


Oil fell below 127 \$/b on Wednesday morning, extending a slide from the previous session amid growing signs Asian demand could falter. Smaller Asian oil consumers such as Indonesia and Sri Lanka have all recently raised domestic fuel prices, and India is also poised for a modest increase. However, the impact of their hikes may be limited as that top Asian consumer, China, appears to resist pressure to raise rates until after the summer Olympic Games.

Nevertheless, on Wednesday afternoon crude prices changed direction as investors took into account that crude oil production in Mexico fell 13 % in April compared to the previous year, the temporary shutdown of North Sea oil platforms and the pipeline bombings in Nigeria. Moreover, some investors found lower prices interesting for investments.

According to Bill Ramsey, the IEA deputy director, oil is a "commodity under stress". Prices are going up because there is no other option and not enough spare capacity throughout the system.

The normally busy summer driving season in the U.S. started with the just-ended Memorial Day weekend. Some analysts expect that Americans are driving less due to high fuel prices, but the first corresponding figures from U.S. Energy Department data covering the weekend won't be released until next week.



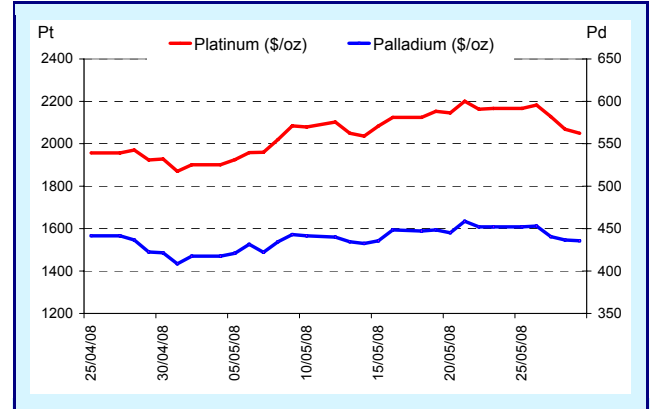
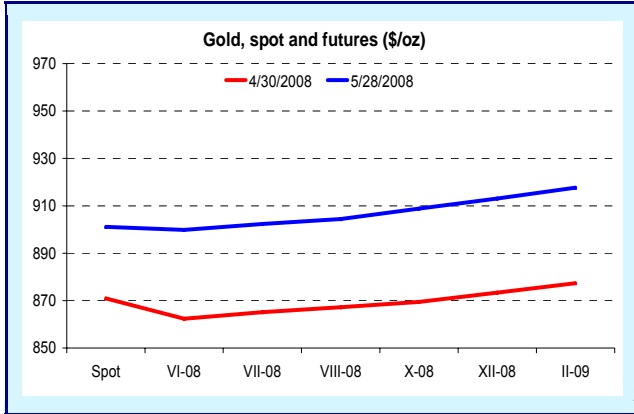
Indonesia will quit OPEC because as a net oil importer it is not happy with high global crude prices. Indonesia's crude oil output has fallen in recent years due to ageing wells, a lack of investment, and the absence of any major oil finds. Indonesia has daily oil output of 927kb/d this year, down from 950 kb/d in 2007, and well short of consumption of around 1.2-1.3 mln.bbl/d. On Saturday Jakarta increased fuel prices by an average 30%, as it struggled to bear the cost of importing gasoline and diesel at record high prices and selling it at heavily subsidised prices

Yesterday Taiwan cut the commodity tax on gasoline and diesel by 19% and 35% respectively, to ease the economic impact of surging fuel costs. The reduced tax rate takes effect immediately and will be current until Nov. 27.

The chairman of a Senate oversight committee, J. Lieberman, has said he is considering legislation to place limits on large institutional investors in commodities markets, which have posted record prices this year in agricultural products and oil. The chairman of the Senate Homeland Security and Government Affairs Committee said that the legislation would be aimed at speculators and other investors who use commodities as a way to hedge against swings in other investment instruments like stocks and the dollar.



Precious Metals



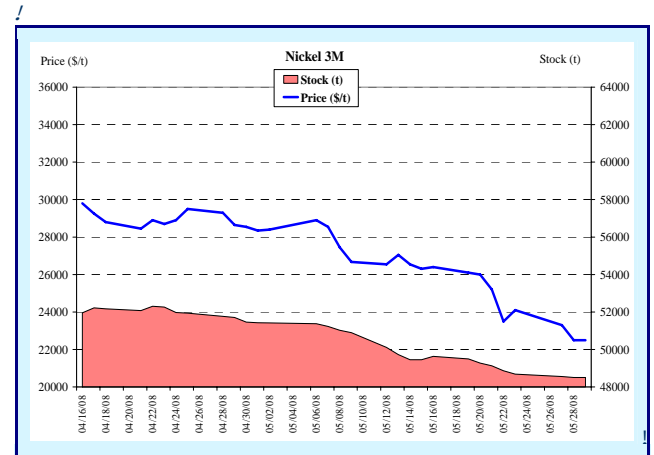
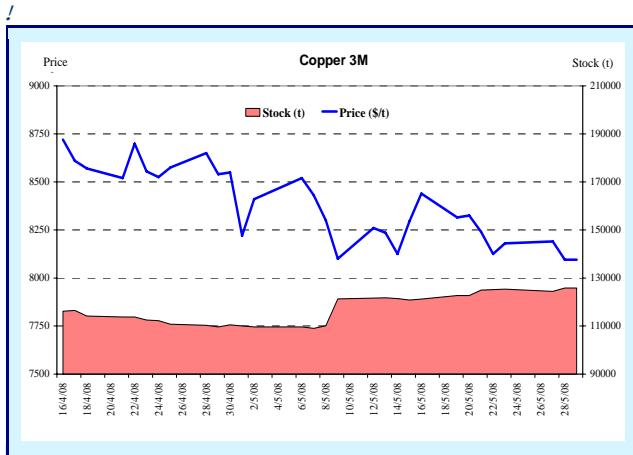
Yesterday **gold extended losses** to trade around 900\$/oz, as a previous decline in oil prices and strong dollar lowered the metal's appeal as a hedge against inflation. Other precious metals followed gold, with platinum slipping near to 3 %. **Today gold slipped below 900 \$/oz**, under pressure from a stronger U.S. dollar.

China, the world's second-largest gold producer last year, **is expected to surpass South Africa and become the world's top producer in 2008** as it plans to raise output from 270.5 t to 300 t this year.

Base Metals

Base metal - Stock (t)

	27/05/08	23/05/08	20/05/08	29/04/08
Cu	125800	124400	124950	110525
Sn	7435	7425	7545	7805
Pb	63575	63600	63850	56350
Zn	135650	128650	128150	126450
Al	1072300	1071075	1065625	1040675
Aa	37520	37400	37320	36420
Ni	48504	48558	49128	51462



On Wednesday **base metals closed lower across the board** due to worries that slower global economic sentiment may ease demand.

Nickel extended previous session's losses on Wednesday on concern about falling stainless steel demand and production announced in China. Nevertheless, nickel stocks fell again yesterday, down 54 t, after falling by around 7% during the past month, but this has not been enough to turn around sentiment. The nickel market was seen in surplus in the coming years, but its price collapse would be unusual as some of the nickel producers have average production costs at about 25,000 \$/t.

Aluminium prices decreased even when the market expects that high energy prices and power supply problems will soon make a dent in the LME's 1 mln.t stockpile.

Aluminium Corp of China plant in Guangxi region started production at a new 440 kt aluminium facility on Wednesday. Production at another new facility with the same capacity would begin in late June, boosting designed aluminium capacity to 1.78 mln.t a year.

Technical Analysis

! GOLD - RETESTED NECKLINE OFF DOUBLE BOTTOM (889.80: SEE GRAPH)
!



GOLD (897.50: DAILY CHARTS): Drop from 935.30 (current reaction high off 845.00) retested the neckline of a Short Term Double Bottom (889.80: see graph).

1st Resistance area at 906.94 (daily envelope top), with next levels at 922.95 (breakdown daily May 26), ahead of 935.30/ 937.30 (see above/ breakdown daily April 17): must sustain back above to signal return of bullish pressures on Gold.

Next Resistance would then come in at 952.60 (April 17 high), ahead of 959.82 (61.8% 1030.80 to 845.00), where pause favored.

1st Support at 889.85/ .888.90 (daily envelope bottom/ current reaction low off 935.30), with next levels at 877.86 (daily Starc bottom), ahead of 873.13 (weekly Long Term Moving Average↑), which played Support role on previous correction. !

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