



# KBC Commodities Report

Written by CSOB Prague and KBC Brussels - More research on [www.kbc.be/dealingroom](http://www.kbc.be/dealingroom)

## Headlines

- Oil market rallies after U.S. strong Friday's statistics
- Weaker greenback adds 1.4% to gold
- Copper returns above 7700\$/t mark

		23/4/10	22/4/10	Daily	16/4/10	Weekly	26/3/10	Monthly
		Close	Close	Change	Close	Change	Close	Change
<b>Crude</b>								
Brent spot	USD/b	86.14	84.63	1.78%	84.86	1.51%	77.48	11.18%
Brent - 1M	USD/b	87.38	85.87	1.76%	85.89	1.73%	79.54	9.86%
Brent - 2M	USD/b	88.25	86.67	1.82%	86.56	1.95%	79.98	10.34%
Brent - 3M	USD/b	88.89	87.34	1.77%	87.14	2.01%	80.43	10.52%
WTI spot	USD/b	84.34	82.99	1.63%	82.97	1.65%	79.75	5.76%
1,0% Fuel Oil FOB Barges Rdam	USD/t	495.75	494.00	0.35%	488.25	1.54%	474.75	4.42%
3,5% Fuel Oil FOB Barges Rdam	USD/t	471.00	465.75	1.13%	459.75	2.45%	435.75	8.09%
Jet FOB Barges Rdam	USD/t	761.25	748.25	1.74%	745.75	2.08%	701.00	8.59%
Gasoil 0.1 FOB Barges ARA	USD/t	715.50	702.00	1.92%	699.75	2.25%	658.25	8.70%
Diesel 10 PPM FOB Barges Rdam	USD/t	733.25	722.00	1.56%	722.50	1.49%	673.25	8.91%
<b>Base Metals - LME 3 M</b>								
Cu	USD/t	7750	7690	0.78%	7760	-0.13%	7515	3.13%
Sn	USD/t	19000	18900	0.53%	19200	-1.04%	17675	7.50%
Pb	USD/t	2300	2308	-0.35%	2261	1.72%	2125	8.24%
Zn	USD/t	2405	2418	-0.54%	2423	-0.74%	2229	7.90%
Al	USD/t	2334	2320	0.60%	2434	-4.11%	2220	5.14%
Aa	USD/t	2170	2150	0.93%	2240	-3.13%	2055	5.60%
Ni	USD/t	27050	27095	-0.17%	26705	1.29%	23600	14.62%
<b>Precious Metals - spot</b>								
Au	USD/oz	1157.4	1141.45	1.40%	1137.45	1.75%	1106.6	4.59%
Ag	USD/oz	18.32	17.99	1.83%	17.72	3.39%	16.9	8.40%
Pt	USD/oz	1742.5	1742.5	0.00%	1692.5	2.95%	1596.5	9.15%
Pd	USD/oz	563	563.5	-0.09%	529.5	6.33%	458	22.93%

## Crude and base metals summary

### Crude

#### Basics

Signals, that global economy revives, push crude price up. IEA raised its 2010 global oil demand especially in China and Saudi Arabia.

#### Supplies

Global oil supply fell by 220 kb/d to 86.6 mln.b/d on lower OPEC output in March. Non-OPEC production stayed unchanged.

#### Inventory

U.S industry stocks gained last week and also gasoline inventories increased. OECD stocks fell by 38.4 mln.b in February.

#### Price

Higher demand expectations and improving U.S. statistics send crude price towards 85\$/b level. Chinese demand connected with higher GDP and IP supports price growth.

### Copper

#### Basics

Industry revival increases demand for base metals including copper. Later on slow copper destocking may support price increase and reopen mines previously closed due to economic downturn. Buyers' interest concentrates on longer contracts.

#### Inventory

Inventories in London slowly decline towards 500 kt as OECD economic revival gains strength. High Chinese import slightly diminished but still prevents inventories to gain.

#### Supplies

Copper production is sufficient. Market balance shows around 125 kt surplus in 2009. Moreover, global copper market recorded an 87 kt surplus in January and expects a whole year's surplus.

#### Price

Earthquakes in Chile send price above 7500\$/t. Even if production in Chile returned to previous level higher global demand could keep price near to 8000\$/t level.

### Lead

#### Basics

Lead prices stay around 2300\$/t. International Lead and Zinc Study Group (ILZSG) sees that during the last year the world supply exceeded demand by 71 kt and by 6.7 kt in February.

#### Inventory

Stocks in London reached 180 kt after consumption gained slightly only and stocks continue increasing due to higher supplies. Nevertheless, higher car production may increase demand.

#### Supplies

Research from ILZSG expects a surplus in lead production this year, even if poisoning problems and latest earthquakes in China should diminish production in unlicensed smelters.

#### Price

The price stays around 2300\$/t level as expected higher car production and battery replacement is increasing, but higher inventories prevent price to climb much above 2300\$/t in a short time horizon.



## **Tin**

### **Basics**

Price goes slowly up as demand especially from South Asia increases. However, some firms expect that demand from U.S. slows.

### **Inventory**

LME inventories dropped last week and are below average level.

### **Supplies**

Supplies remain stable. Statistics show 4900 t surplus in supplies during the first two months 2010.

### **Price**

Tin price reached 19000\$/t. However, some traders do not expect price above 18000\$ can stay for long.

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## **Aluminium**

### **Basics**

China's annual consumption is expected to rise 15 % this year. There is considerable uncertainty over global aluminium production in the medium term.

### **Inventory**

LME stocks stayed near 4600 kt in London last week and had changed slightly only.

### **Supplies**

Supplies are limited by energy but China's aluminium industry faces severe overcapacity with the total smelting capacity at about 20 mln.t exceeding demand by 7 mln.t. Global aluminium surplus in Jan and Feb 2010 reached 264 kt..

### **Price**

Price stays around 2400\$/t level. As current global sentiment slightly improves the price has little chance to loose in a short time horizon.

## **Zinc**

### **Basics**

Price has little changed even if global economic sentiment improved. Over the first two months 2010 global output of refined zinc exceeded the demand by 7kt.

### **Inventory**

LME inventories remain flat just below 550 kt level. Other unreported inventories may exist on the market.

### **Supplies**

Refined zinc global production was by 2% higher last year than in the same period in 2008 and supplies seem to be sufficient. Production excess by 7 kt continued also in February. Nevertheless, earthquakes in China could reduce global production.

### **Price**

Current price touched 2500\$/t level. As the largest mine (cca 5% of world capacity) is closed due to environmental problems and China could diminish production zinc price could increase.

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## **Nickel**

### **Basics**

Demand for nickel goes up as global industry production revives and stainless steel requirements go up. Continuing strike in Ontario Sudbury mine weights on deliveries.

### **Inventory**

LME stocks dropped below 150 kt and slowly decreases after Russia put export duty on nickel.

### **Supplies**

Today's deliveries are low to cover current steel production. Vale facility closure in Canada should cause a deficit in market supplies but the deficit may be short living only, as higher price could support new production projects. Supplies exceeded demand by 23 kt during first two months 2010.

### **Price**

Nickel price crossed 27000\$/t. Higher Chinese steel production and expected higher OECD demand may send price above current level again.

<b>Brussels Research (KBC)</b>		<b>Global Sales Force</b>	
Piet Lammens	+32 2 417 59 41	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	+32 2 417 45 82
Didier Hanesse	+32 2 417 59 43	Commercial Desk	+32 2 417 53 23
Joke Mertens	+32 2 417 30 59	Institutional Desk	+32 2 417 46 25
Bob Maes	+32 2 417 51 94		
<b>Dublin Research (KBC Bank Ireland)</b>			
Austin Hughes	+353 1 6646892	London	+44 207 256 4848
<b>Prague Research (CSOB)</b>		Frankfurt	+49 69 756 19372
Jan Cermak	+420 2 6135 3578	Paris	+33 153 89 83 15
Zdenek Safka	+420 2 6135 3570	New York	+1 212 541 06 97
Jan Bures	+420 2 6135 3574	Singapore	+65 533 34 10
<b>Bratislava Research (CSOB)</b>			
Marek Gabris	+421 2 5966 8809	Prague	+420 2 6135 3535
Silvia Cechovicova	+421 2 5966 8808	Bratislava	+421 2 5966 8436
<b>Warsaw Research (Kredybank)</b>		Budapest	+36 1 328 99 63
Piotr Radzewicz	+48 22 6345 946	Warsaw	+48 22 634 5210
<b>Budapest Research (K&amp;H)</b>		Moscow	+7 495 7777 164
Gyorgy Barcza	+36 1 328 99 89		
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