



# KBC Commodities Report

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

## Headlines

### LME closed today

- Gulf Coast oil spill and improving economic outlook bolster crude price
- Gold at this year's highest level
- Economic revival expectation improves demand for base metals

		30/4/10	29/4/10	Daily	23/4/10	Weekly	1/4/10	Monthly
		Close	Close	Change	Close	Change	Close	Change
<b>Crude</b>								
Brent spot	USD/b	86.34	86.97	-0.72%	86.14	0.23%	82.14	5.11%
Brent - 1M	USD/b	87.65	87.30	0.40%	87.38	0.31%	84.51	3.72%
Brent - 2M	USD/b	88.55	88.20	0.40%	88.25	0.34%	85.02	4.15%
Brent - 3M	USD/b	89.32	88.97	0.39%	88.89	0.48%	85.48	4.49%
WTI spot	USD/b	86.07	85.17	1.06%	84.40	1.98%	84.53	1.82%
1,0% Fuel Oil FOB Barges Rdam	USD/t	498.00	502.50	-0.90%	495.75	0.45%	480.00	3.75%
3,5% Fuel Oil FOB Barges Rdam	USD/t	473.00	474.75	-0.37%	471.00	0.42%	444.75	6.35%
Jet FOB Barges Rdam	USD/t	779.00	777.00	0.26%	761.25	2.33%	742.00	4.99%
Gasoil 0.1 FOB Barges ARA	USD/t	727.75	726.25	0.21%	715.50	1.71%	698.00	4.26%
Diesel 10 PPM FOB Barges Rdam	USD/t	747.00	744.50	0.34%	733.25	1.88%	710.50	5.14%

		30/4/10	29/4/10	Daily	23/4/10	Weekly	1/4/10	Monthly
		Close	Close	Change	Close	Change	Close	Change
<b>Base Metals - LME 3 M</b>								
Cu	USD/t	7430	7355	1.02%	7750	-4.13%	7885	-5.77%
Sn	USD/t	18250	18160	0.50%	19000	-3.95%	18450	-1.08%
Pb	USD/t	2230	2230	0.00%	2300	-3.04%	2210	0.90%
Zn	USD/t	2285	2268	0.75%	2405	-4.99%	2403	-4.91%
Al	USD/t	2255	2200	2.50%	2334	-3.38%	2352	-4.12%
Aa	USD/t	2115	2050	3.17%	2170	-2.53%	2155	-1.86%
Ni	USD/t	26300	25400	3.54%	27050	-2.77%	25050	4.99%

		30/4/10	29/4/10	Daily	23/4/10	Weekly	1/4/10	Monthly
		Close	Close	Change	Close	Change	Close	Change
<b>Precious Metals - spot</b>								
Au	USD/oz	1179.25	1167.1	1.04%	1157.4	1.89%	1126.5	4.68%
Ag	USD/oz	18.65	18.47	0.97%	18.32	1.80%	17.92	4.07%
Pt	USD/oz	1742	1731.5	0.61%	1742.5	-0.03%	1671	4.25%
Pd	USD/oz	550.5	552	-0.27%	563	-2.22%	492.5	11.78%

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## 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 more than expected last week.

#### Price

Higher demand expectations and improving U.S. statistics together with oil spill keep crude price at 80-90\$/b range. Chinese demand connected with higher GDP and IP also 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. Global copper market recorded an 87 kt surplus in January and expects a whole year's surplus at 580 kt..

#### Price

Earthquakes in Chile send price above 7500\$/t. However, worries that Greece contagion may spread eased copper, temporarily we expect.

### 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 stays in a range as demand especially from South Asia increases and the demand from OECD countries slows.

**Inventory**

LME inventories dropped 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 lost below 4600 kt in London last week but 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 production increased in March to the highest month level since beginning 2009.

**Price**

Price returned towards 2200\$/t level. As current global sentiment slightly improves the price has little chance to loose again.

**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 around 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 continued also in February. Nevertheless, earthquakes in China could reduce global production.

**Price**

Current price returned towards 2300\$/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 but may lag behind the demand recovery.

**Price**

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

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