



# KBC Commodities Report

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

## Headlines

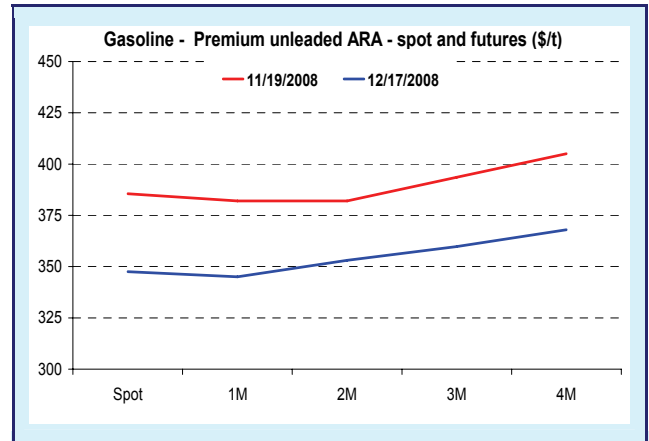
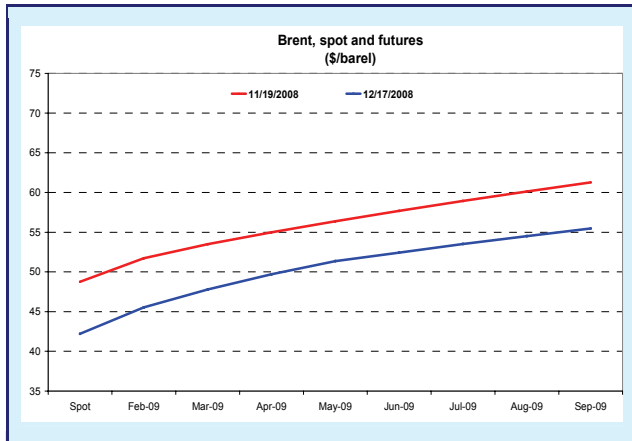
- OPEC cut 2.2 mln.b/d of output starting Jan. 1
- Gold higher as dollar weakens
- Low base metals prices attract buyers

		17/12/08	16/12/08		10/12/08		19/11/08	
<b>Crude</b>		<b>Close</b>	<b>Close</b>	<b>Daily Change</b>	<b>Close</b>	<b>Weekly Change</b>	<b>Close</b>	<b>Monthly Change</b>
Brent spot	USD/b	42.20	42.36	-0.38%	39.70	6.30%	48.76	-13.45%
Brent - 1M	USD/b	45.35	44.25	2.49%	42.32	7.16%	48.73	-6.94%
Brent - 2M	USD/b	47.74	46.95	1.68%	45.03	6.02%	51.13	-6.63%
Brent - 3M	USD/b	49.64	49.20	0.89%	47.33	4.88%	52.99	-6.32%
WTI spot	USD/b	40.17	43.84	-8.37%	43.10	-6.80%	53.64	-25.11%
1,0% Fuel Oil FOB Barges Rdam	USD/t	225.75	230.50	-2.06%	210.25	7.37%	291.00	-22.42%
3,5% Fuel Oil FOB Barges Rdam	USD/t	191.25	193.00	-0.91%	178.25	7.29%	203.50	-6.02%
Jet FOB Barges Rdam	USD/t	487.75	488.75	-0.20%	456.00	6.96%	596.75	-18.27%
Gasoil 0.2 Spot Barges Rdam	USD/t	439.50	439.75	-0.06%	411.25	6.87%	521.50	-15.72%
Diesel 10 PPM FOB Barges Rdam	USD/t	485.75	482.75	0.62%	454.25	6.93%	571.25	-14.97%

		17/12/08	16/12/08		10/12/08		19/11/08	
<b>Base Metals - LME 3 M</b>		<b>Close</b>	<b>Close</b>	<b>Daily Change</b>	<b>Close</b>	<b>Weekly Change</b>	<b>Close</b>	<b>Monthly Change</b>
Cu	USD/t	3110	3070	1.30%	3305	-5.90%	3590	-13.37%
Sn	USD/t	11050	10925	1.14%	11850	-6.75%	11905	-7.18%
Pb	USD/t	997	989	0.81%	990	0.71%	1230	-18.94%
Zn	USD/t	1105	1088	1.56%	1104	0.09%	1183	-6.59%
Al	USD/t	1505	1471	2.31%	1526	-1.38%	1877	-19.82%
Aa	USD/t	1170	1145	2.18%	1200	-2.50%	1425	-17.89%
Ni	USD/t	9850	9695	1.60%	10300	-4.37%	10250	-3.90%

		17/12/08	16/12/08		10/12/08		19/11/08	
<b>Precious Metals - spot</b>		<b>Close</b>	<b>Close</b>	<b>Daily Change</b>	<b>Close</b>	<b>Weekly Change</b>	<b>Close</b>	<b>Monthly Change</b>
Au	USD/oz	866.3	858.2	0.94%	808.75	7.12%	733.9	18.04%
Ag	USD/oz	11.4	11.24	1.42%	10.26	11.11%	9.28	22.84%
Pt	USD/oz	866	863	0.35%	832	4.09%	818.5	5.80%
Pd	USD/oz	178	179.5	-0.84%	181.5	-1.93%	184.5	-3.52%

## Brent and Distillates



**OPEC**, eager to push prices back up, announced on Wednesday an agreement to **cut 2.2 mln.b/d of output starting Jan. 1**, the biggest single reduction on record. The agreed cut was slightly bigger than expected and will add to previous OPEC cuts of 2 mln.b/d since September. But oil dealers focusing on the global economic downturn reacted coolly and **crude prices moved very little**. Non-OPEC members **Russia and Azerbaijan**, which sent high-level delegations to the meeting, could **contribute an additional 600 kb/d of cutbacks**, though their oil fields already are in natural decline

**Saudi Arabian oil minister Ali Naimi** said his country had already **reduced its own output by 1.2 mln.b/d since August**, while other OPEC countries had cut their collective production by more than 500 kb/d, giving a total OPEC reduction of 1.7mln.b/d since the summer.

Washington-based consultants PFC Energy said in a note to clients late Monday that **Moscow needed an average price of more than 105\$/b for crude WTI in order to balance its external accounts next year**.

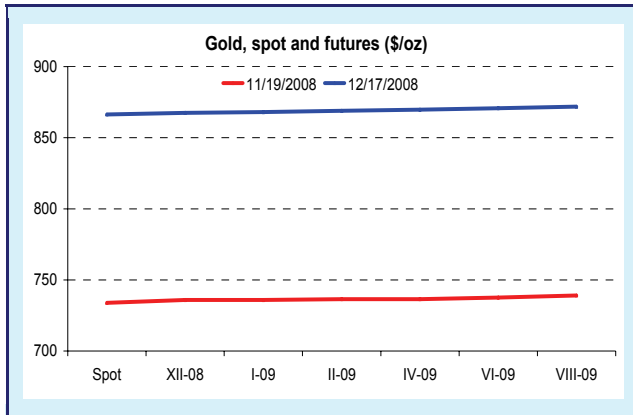
**JP Morgan** has slashed its **2009 estimate for WTI crude oil prices to 43\$/b** from a previous forecast of

69\$/b, the bank said in a note. Sharp reduction in prices reflects the ongoing deterioration in the world economic environment.

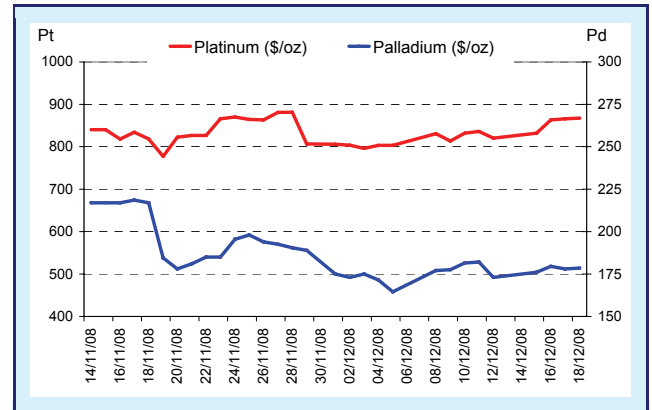
In its annual long-term forecast the U.S. EIA said that the report was the first in more than 20 years with virtually **no growth in U.S. oil consumption**. **U.S. oil demand is expected to grow only 1 mln.b/d, or 0.2%, over the next two decades**, as higher vehicle fuel standards and increased use of renewable fuels stifle petroleum consumption. On the contrary total **demand for marketed renewable fuels**, including ethanol and biodiesel, is forecast to **grow by 3.3%/y** until 2030 due to the federal renewable fuel standard and state requirements.

**OPEC's Vienna secretariat slashed its demand forecasts for this and next year**, saying it now expected world oil demand to fall in 2009 and warning of a "growing imbalance" in the oil market over the next few months. OPEC now sees demand for its crude at 30.22 mln.b/d, some 900 kb/d lower than estimated November output of 31.1 mln.b/d and 1.4 mln.b/d lower than the call on its oil in 2008.

## Precious Metals



**Gold prices rose yesterday** as the dollar weakened and participants priced in longer-term inflation expectations. According to Barclays Capital the outlook for gold prices was being influenced by counterbalancing factors. Additional safe-haven buying and an increase in physical demand for jewellery and investment would support prices, but a need by funds to liquidate positions in the gold market to meet margin calls elsewhere could limit gains in the near-term. However, **this morning gold fell** from a 10-week high, ending an eight-day rally, as crude oil's slump to the lowest in more than four years reduced the appeal of bullion as a hedge against inflation.



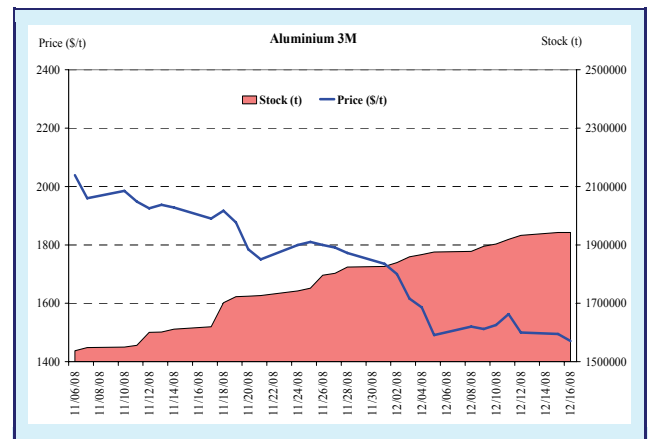
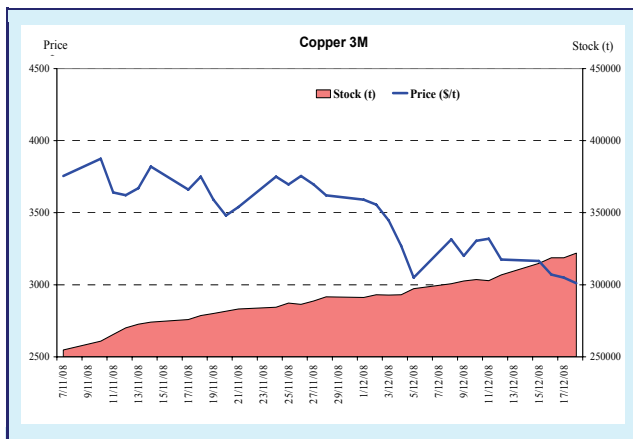
On the contrary to gold **platinum continues its way up even today** as newly announced production and capital expenditure cuts in the platinum market should improve the supply and demand balance over the medium to longer-term.

**Gold in the SPDR Gold Trust**, the largest exchange-traded fund backed by bullion, expanded by more than 6 t to a record. The amount of gold now stands at 775.33 t, according to figures posted on the company's Web site, compared with 769.21 t previously. The fund's previous record was 770.64 t set on Oct. 13, overtaking Japan as the world's seventh-largest gold holding.

## Base Metals

Base metal - Stock (t)

	16/12/08	15/12/08	09/12/08	18/11/08
<b>Cu</b>	318625	318625	303600	280050
<b>Sn</b>	4935	4935	4665	3825
<b>Pb</b>	44100	44100	43825	42075
<b>Zn</b>	232325	232325	220275	183700
<b>Al</b>	1942675	1942675	1895675	1701525
<b>Aa</b>	98480	98480	97200	90020
<b>Ni</b>	70056	70056	66216	61014



**Copper** edged higher on Wednesday as a cut to record-low U.S. interest rates by FED sent the dollar reeling, but worries about the world economic picture kept gains in check.

Weak macroeconomic data released recently has heightened **concerns about demand for industrial metals**, which are used widely in cars, construction and power. Deutsche Bank in its note expects car demand to drop by 12 % for each of the next three quarters in Europe.

**Aluminium demand** has slumped in the global economic downturn and consumption of the most widely used base metal is not expected to pick up next year as Chinese growth slows and recession threats. Aluminium prices have plunged almost 60 % from July's record 3,380\$/t and falling demand has pushed stock levels on LME to 14-year highs.

**AngloAmerican**, the fourth-biggest diversified mining group by market value, would cut the previous capex level of about 10mld.\$ by delaying expansion projects ranging from platinum in South Africa to iron ore in Brazil.

**Rio Tinto is unable to finance** its 49% stake in an aluminium joint venture in Saudi Arabia, projected to cost \$10 mld.\$ because of the global crisis, its Saudi partner said yesterday. But Rio will continue to work on the project by providing technical and advisory support in line with previous agreements. Rio Tinto has also put on hold its aluminium smelter project in neighbouring Abu Dhabi, pending a review by the Gulf emirate's government of its energy requirements.

## Technical Analysis

### COPPER - NEW REACTION LOW BELOW CHANNEL OFF HIGH (SEE GRAPH)



#### Copper LME Daily charts (2980)

Scored a new reaction low, currently back below channel off high and massive Double Top off 5260 (see graph: 1<sup>st</sup> target would be 1730), with 2005 low of 2965 being retested: 1<sup>st</sup> Resistance area at 3110 (daily envelope top), with next levels at 3232/ 3370 (broken daily channel bottom off high: see graph/ Dec 10 high) and 3549 (daily Long Term Moving Average↓): must sustain above to signal better standing for Copper: suspect tough on 1<sup>st</sup> attempts.

1<sup>st</sup> Support at 2950/ 2942 (current new reaction low/ daily envelope bottom), with next levels at 2875/ 2865 (daily Bollinger bottom/ weekly envelope bottom), where pause favored.

**If wrong, risk towards 2691 (daily Starc bottom): tough on 1<sup>st</sup> attempts, amid overextended readings.**

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