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KBC Commodities Report

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

Headlines

- U.S. government rescue plan sends WTI again above 100 $/b
- Weaker dollar sends precious metals up and encourages base metals purchase

Crude		19/9/08 Close	18/9/08 Close	Daily Change	12/9/08 Close	Weekly Change	22/8/08 Close	Monthly Change
Brent spot	USD/b	96.97	91.29	6.22%	94.77	2.32%	114.39	-15.23%
Brent - 1M	USD/b	97.36	92.94	4.76%	97.22	0.14%	112.37	-13.36%
Brent - 2M	USD/b	99.67	95.24	4.65%	98.93	0.75%	113.72	-12.35%
Brent - 3M	USD/b	100.88	96.48	4.56%	100.21	0.67%	114.99	-12.27%
WTI spot	USD/b	104.05	97.50	6.72%	101.19	2.83%	114.48	-9.11%
1,0% Fuel Oil FOB Barges Rdam	USD/t	512.00	483.00	6.00%	531.00	-3.58%	669.00	-23.47%
3,5% Fuel Oil FOB Barges Rdam	USD/t	486.00	460.25	5.59%	526.50	-7.69%	613.50	-20.78%
Jet FOB Barges Rdam	USD/t	974.50	965.75	0.91%	1023.25	-4.76%	1120.75	-13.05%
Gasoil 0.2 Spot Barges Rdam	USD/t	886.75	865.25	2.48%	916.75	-3.27%	1009.50	-12.16%
Diesel 10 PPM FOB Barges Rdam	USD/t	926.00	910.75	1.67%	975.25	-5.05%	1032.75	-10.34%

Base Metals - LME 3 M		19/9/08 Close	18/9/08 Close	Daily Change	12/9/08 Close	Weekly Change	22/8/08 Close	Monthly Change
Cu	USD/t	7060	6749	4.61%	7122	-0.87%	7660	-7.83%
Sn	USD/t	16950	16800	0.89%	19450	-12.85%	20900	-18.90%
Pb	USD/t	1900	1805	5.26%	1940	-2.06%	1880	1.06%
Zn	USD/t	1779	1716	3.67%	1886	-5.67%	1830	-2.79%
Al	USD/t	2535	2495	1.60%	2665	-4.88%	2790	-9.14%
Aa	USD/t	2245	2220	1.13%	2335	-3.85%	2500	-10.20%
Ni	USD/t	16950	16750	1.19%	19250	-11.95%	20850	-18.71%

Precious Metals - spot		19/9/08 Close	18/9/08 Close	Daily Change	12/9/08 Close	Weekly Change	22/8/08 Close	Monthly Change
Au	USD/oz	873.15	852.25	2.45%	764.45	14.22%	823.1	6.08%
Ag	USD/oz	12.6	11.94	5.53%	10.88	15.81%	13.36	-5.69%
Pt	USD/oz	1154.5	1109	4.10%	1212.5	-4.78%	1435.5	-19.58%
Pd	USD/oz	236	236	0.00%	246.5	-4.26%	287	-17.77%

Crude and base metals summary

Crude

Basics

Lower U.S. inventories after two hurricanes in Golf of Mexico together with problems in Nigeria slowly send crude higher. Nevertheless, crude seems to remain volatile due to unclear global economic development.

Supplies

Global supply suffers from refinery outage after hurricanes in Golf of Mexico. Militant attacks in Nigeria diminish country production and bad weather postponed shipment in Basra/Iraq. Non-OPEC supplies remain at low level.

Inventory

American crude stocks are below long term average and hurricane waves sent then lower than had been expected. Pure refinery runs could hardly increase them in a short time horizon.

Price

Price slowly return to 100$/b level as dollar weakens again. Nevertheless, OPEC decision and hurricanes activity have had little impact only. Goldman Sachs cut its three-month forecast to 115$/b from 149$.

Copper

Basics

Global economic slowdown and lower seasonal demand send stocks up and keep prices around 7000$/t. Nevertheless, various mining problems could hardly increase supplies. Expected higher demand especially from China later this year may send price higher.

Inventory

LME inventories remain stable due to global slowdown, current lower Chinese demand and mining problems. Expected buyers return especially from China could decrease stocks before the year's end.

Supplies

Mine problems have been intensifying during recent weeks and main copper producers have reduced their plans for 2008. According to World Bureau of Metal Statistics, the global market balance remains in deficit, albeit at a much smaller level than the same time a year ago (18kt in the first seven months of the year).

Price

Price remains around 7000$/t level. Copper prices in the near term will look to crude oil and the dollar for direction, however, down-side bias may be limited as stockpiles stop their growth. On the contrary price can hardly gain until the Chinese buyers return to the market.

Lead

Basics

Lead prices stay below 2000 $/t level. Demand together with price level remain volatile. Later on ahead of winter season the demand should increase and return price above 2000$.

Inventory

Stocks in London are decreasing slightly. The stock decrease may even accelerate as the demand is expected to grow.

Supplies

Ahead of winter season markets expect deficits due to higher demand for car batteries and as Chinese production could hardly meet its previous targets.

Price

The price is around 1800$/t level. Lower stocks ahead of higher autumn demand could return price to 2000$/t at least.

Tin

Basics

Price stays below 18000$/t level. Supply problems especially in China and Indonesia keep stocks low and make the metal market vulnerable. Due to limited export from Indonesia markets expect supply deficit later this year.

Inventory

LME inventories stay at low level. Problems in mine areas together with Indonesian export limits might send stocks down again.

Supplies

Lower production and 10% export tax in China put pressure on supplies. Indonesian export is dropping and China even becomes a net importer. Its domestic output was down in July by 16% ytd.

Price

Tin price hovers below 18000$/t even when inventories are low. However, tin is a thin market and in the near future prices may temporarily gain as fundamentals remain supportive.

Aluminium

Basics

The metal faces downward pressure in the second half of the year because of oversupply and slowing global demand growth. Demand in the developed world has been weak for a long time, in the U.S. since mid 2006, in Japan and Europe since early 2007.

Inventory

LME stocks continue gaining. Nevertheless, later on higher demand especially from China with expected lower domestic production could increase global demand and may reduce inventories.

Supplies

Supplies are limited by energy costs. Moreover, China’s new export taxes (from Aug.20) on aluminium may cut a significant portion of supplies to world markets.

Price

Since mid July prices decreased on signs manufacturers are delaying purchases until economic growth improves. Aluminium price may lose slightly more but any significant fall is limited due to higher energy costs.

Zinc

Basics

Price remains stable around 1750$/t even when stocks slowly go down. As Chinese output increases stocks may gain and current prices remain under pressure.

Inventory

Inventories in London ease slightly after high increase at the beginning of August. Later on Chinese output may support stocks again. Rumour has it that China has more zinc in stocks than declares.

Supplies

Chinese output fell in July but remain at high level and may add in next months again. Nevertheless, the world's second largest zinc miner OZ Minerals announced it will cut zinc production up to 50 kt in 2009.

Price

Price remains around 1750$/t level. If supplies and stocks gain, the price may add slightly, but no significant changes might be expected till the latest global slowdown is over.

Nickel

Basics

Stocks increased due to global economic slowdown even when China supported net refined imports by 29% y/y in July.

Inventory

LME stocks continue going up also in September. As nickel producers intend to postpone new projects inventory level might change its trend.

Supplies

Weak nickel prices and increasing costs have persuaded producers to defer various projects. However, low demand due to economic slowdown seems to be sufficient at current level.

Price

Current nickel price decreased below 18000 $/t level. As the outlook for stainless steel does not seen any improvement the price level could hardly find any significant support.

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