



KBC Commodities Report

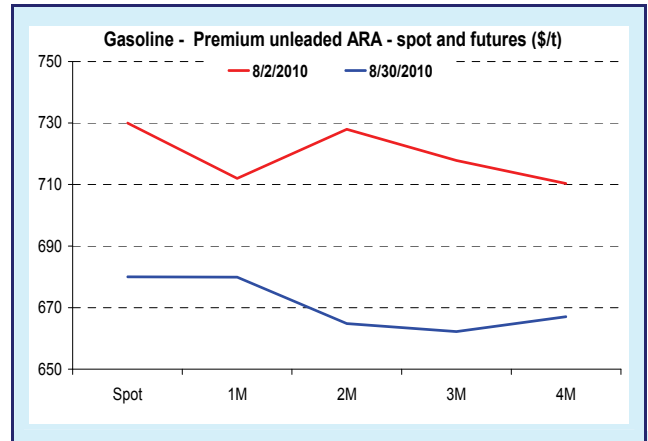
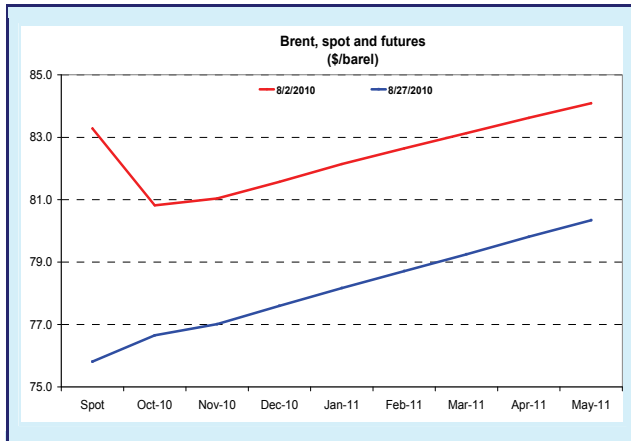
Written by CSOB Prague and KBC Brussels - More research on www.kbc.be/dealingroom

Headlines

- Global pessimistic mood and U.S. higher inventory expectations ease crude
- Stronger greenback weights on gold
- LME closed due to U.K. bank holidays on Monday

| | | 30/8/10 | 27/8/10 | Daily | 23/8/10 | Weekly | 2/8/10 | Monthly |
|-------------------------------|--------|---------|---------|--------|---------|--------|---------|---------|
| Crude | | Close | Close | Change | Close | Change | Close | Change |
| Brent spot | USD/b | | 75.81 | | 73.83 | | 83.28 | |
| Brent - 1M | USD/b | 75.97 | 77.02 | -1.36% | 73.23 | 3.74% | 80.92 | -6.12% |
| Brent - 2M | USD/b | 76.24 | 77.35 | -1.44% | 73.73 | 3.40% | 81.14 | -6.04% |
| Brent - 3M | USD/b | 76.80 | 77.91 | -1.42% | 74.31 | 3.35% | 81.68 | -5.97% |
| WTI spot | USD/b | 74.67 | 75.17 | -0.67% | 72.71 | 2.70% | 81.25 | -8.10% |
| | | 27/8/10 | 26/8/10 | | 23/8/10 | | 2/8/10 | |
| 1,0% Fuel Oil FOB Barges Rdam | USD/t | 450.00 | 447.50 | 0.56% | 448.50 | 0.33% | 485.25 | -7.26% |
| 3,5% Fuel Oil FOB Barges Rdam | USD/t | 422.75 | 423.00 | -0.06% | 415.50 | 1.74% | 452.00 | -6.47% |
| Jet FOB Barges Rdam | USD/t | 689.75 | 685.75 | 0.58% | 670.50 | 2.87% | 728.25 | -5.29% |
| Gasoil 0.1 FOB Barges ARA | USD/t | 638.00 | 634.50 | 0.55% | 620.25 | 2.86% | 675.00 | -5.48% |
| Diesel 10 PPM FOB Barges Rdam | USD/t | 664.00 | 659.75 | 0.64% | 645.75 | 2.83% | 692.00 | -4.05% |
| Base Metals - LME 3 M | | 27/8/10 | 26/8/10 | Daily | 23/8/10 | Weekly | 2/8/10 | Monthly |
| | | Close | Close | Change | Close | Change | Close | Change |
| Cu | USD/t | 7459 | 7305 | 2.12% | 7255 | 2.81% | 7510 | -0.68% |
| Sn | USD/t | 21640 | 21350 | 1.36% | 20460 | 5.77% | 19880 | 8.85% |
| Pb | USD/t | 2090 | 2026 | 3.18% | 2048 | 2.05% | 2214 | -5.60% |
| Zn | USD/t | 2095 | 2050 | 2.20% | 2044 | 2.50% | 2122 | -1.27% |
| Al | USD/t | 2058 | 2023 | 1.73% | 2040 | 0.88% | 2217 | -7.17% |
| Aa | USD/t | 2105 | 2075 | 1.45% | 2075 | 1.45% | 2190 | -3.88% |
| Ni | USD/t | 21050 | 20450 | 2.93% | 21200 | -0.71% | 21950 | -4.10% |
| Precious Metals - spot | | 30/8/10 | 27/8/10 | Daily | 23/8/10 | Weekly | 2/8/10 | Monthly |
| | | Close | Close | Change | Close | Change | Close | Change |
| Au | USD/oz | 1236.8 | 1238.2 | -0.11% | 1225.4 | 0.93% | 1181.85 | 4.65% |
| Ag | USD/oz | 19.03 | 19.09 | -0.31% | 17.99 | 5.78% | 18.36 | 3.65% |
| Pt | USD/oz | 1527.5 | 1533.75 | -0.41% | 1509.5 | 1.19% | 1601 | -4.59% |
| Pd | USD/oz | 496.75 | 504.5 | -1.54% | 483.5 | 2.74% | 511.5 | -2.88% |

Brent and Distillates



On Monday **crude partially corrected last week's gains** after global pessimistic view on global economy prevailed and markets expect higher U.S. crude inventories.

Barclays Capital cut its oil price forecasts for 2011 and this year last week, citing concern about the economy. The bank cut its 2010 price forecast for benchmark U.S. crude by 4 \$/b to 78\$ and reduced its 2011 forecast by 7\$ to 85\$.

A big **surprise in oil markets** this year has been why **U.S. refiners have continued to operate at high rates** and why margins have held up so well, even as stocks of crude and products have built to their highest level since 1983. Part of the answer lies in the growing importance of export markets for U.S. refiners. **Exports have continued to grow** throughout the downturn, especially to Latin America, helping refiners offset weakening demand in their home market

Vladimir Putin, the Russian prime minister, on Sunday **opened a new pipeline to export east Siberian oil to China** that will help Russia to reorientate its oil trade towards the east. The pipeline, running 67km from Skovorodino in east Siberia to China's north-eastern frontier, is an offshoot of a **new oil export route Russia is building to the Pacific**, providing a strategic window on the fast-growing energy markets of Asia. **Russia accepted a 25bln.\$ loan from China** in exchange for future oil deliveries last year, cementing its energy-trading relations with China. The deal entitles **China to import 300 kb/d of Russian oil for 20 years** starting in 2011.

Russian Transneft announced last year that **Russia would boost its daily oil production by 1mln.b to 11m ln.b/d after 2012**, providing enough oil for exports both ways to west and east. But **analysts have warned that Russian oil production**, after rising to an all-time record of 10.2 mln.b/d this month, **will begin to fall next year** as a decline accelerates at mature fields.

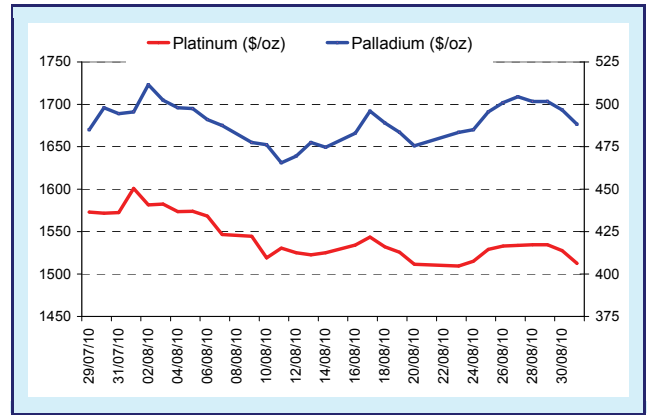
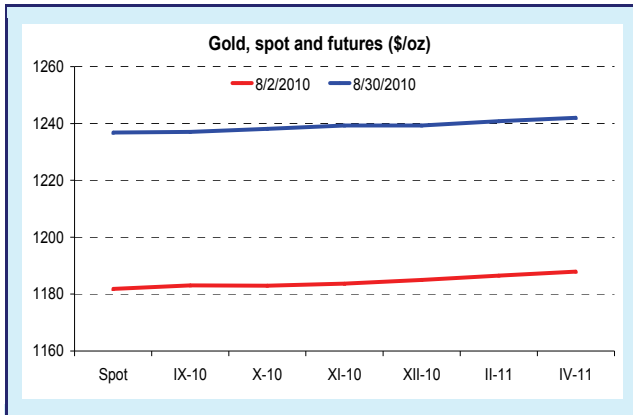
The **U.S. government should ensure deepwater drillers meet new safety rules** before allowing operations to resume, despite the costs associated with delays, a report requested by the White House oil spill commission said. It is expected that it will take time for rigs to meet these standards.

UK oil and gas explorer Encore Oil and German oil firm Wintershall, will announce a **new North Sea oil find** this week, according to the Sunday Times, in what would be the latest in a string of large discoveries this year. The companies will reveal that the Cladhan field, north east of the Shetland Islands, holds between 100-200 mln.b, the report said, quoting industry sources.

Afghanistan believes to be sitting on top of billions of dollars worth of minerals and energy sources, has extracted oil for the first time and **plans to pump a modest 800 b/d**, officials said.

Kazakhstan plans to double its crude oil export duty to 40\$/t from Jan. 1, two government sources told, less than six months after reinstating the tax when prices recovered from lows in the financial crisis.

Precious Metals



Gold slightly eased on Monday as the dollar strengthened on Monday ahead of fresh U.S. economic data revealed later this week.

Egypt's ASEC Company for Mining (ASCOM) had found two gold mining targets in an Ethiopian concession with enough tonnage and grade potential to suggest an economic discovery is possible. ASCOM plans to start drilling on the Asosa concession in Western Ethiopia in October, it said in a statement.

Australian prospectors are combing old mines for more gold as bullion prices rise, driving production to its highest level in more than six years.

South Africa's largest union threatened on Friday to bring gold and platinum mining and other industries to a halt this week in a strike to support a stoppage by 1.3 mln. state workers. The strike by state workers seeking pay raises more than double the inflation rate started last week and has led to school closures, prevented medical treatment and caused bodies to pile up at state-run morgues. Yesterday South Africa's government increased its wage raise offer to unions representing 1.3 mln. striking state workers trying to end a strike that threatens Africa's largest economy.

Gold holdings in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, were unchanged at 1,298.56 t as of Aug. 30, according to figures on the company's website.

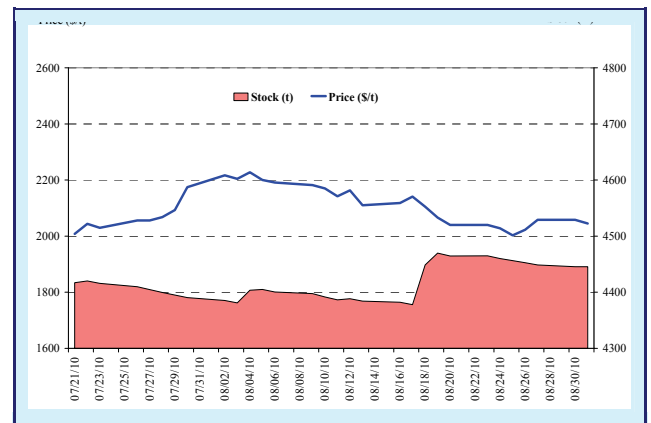
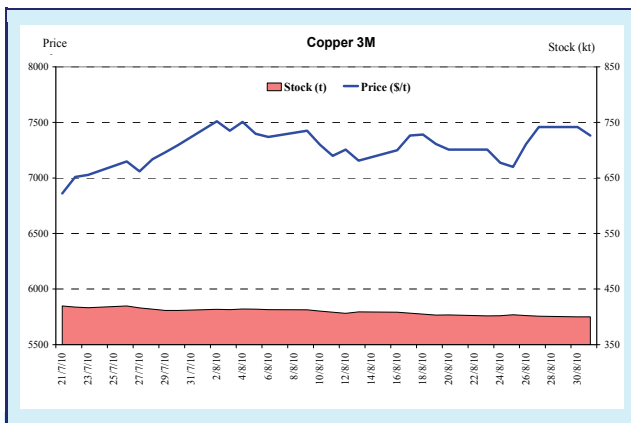
Investors are accumulating enough bullion to fill Switzerland's vaults twice over as gold's most-accurate forecasters say the longest rally in at least nine decades has further to go no matter what the economy holds. Analysts raised their 2011 forecasts for gold predicting a 10th annual advance, data compiled by Bloomberg show. The most widely held option on gold futures traded in New York is for 1,500\$/oz by December, or 18% more than the record 1,266.50\$ reached June 21. Holdings through bullion-backed exchange-traded products are already at almost 2,072 t, within 0.3% of the all-time high.

Buyers accumulated 274 t of gold in 2010 across 10 ETPs tracked by Bloomberg, worth 10.3 bln.\$ at this year's average price. Total holdings are almost twice Switzerland's official reserves of 1,040 t, data compiled by the World Gold Council show. ETP holdings reached a record 2,078 t as of July 19.

Base Metals

Base metal - Stock (t)

| | 25/08/10 | 24/08/10 | 18/08/10 | 28/07/10 |
|-----------|----------|----------|----------|----------|
| Cu | 401250 | 402425 | 403525 | 411525 |
| Sn | 13975 | 14095 | 14065 | 15050 |
| Pb | 192450 | 192850 | 192500 | 183825 |
| Zn | 623600 | 622175 | 619400 | 619725 |
| Al | 4448800 | 4452700 | 4464675 | 4390625 |
| Aa | 67180 | 67180 | 67220 | 67660 |
| Ni | 118956 | 118302 | 115668 | 116778 |



Copper in Shanghai touched a four-month high on Monday, buoyed by gains in London after Federal Reserve Chairman Ben Bernanke promise to act as needed to keep the economic recovery. The gains matched those on LME futures, closed on Monday for a holiday.

Japanese shipments of aluminium products rose 7.8% in July from a year earlier to 179,619 t, industry data showed, underpinned by demand from the automobile sector. Exports to China and Southeast Asia remained robust supporting aluminium shipments, data provided by the Japan Aluminium Association showed. Also **Japan's output of rolled copper products** rose to a 21-month high of 75,094 t in July, up 21.4 % y/y,

helped by strong exports to China and other Asian countries, an industry body said. The seasonally adjusted figure represents a 2.7 % increase from June.

Chile's mining regulator has shut at least 30 copper mines with a combined output of around 2,000t/y or 0.04% of the country's output after a major accident raised safety fears.

The **shareholders of Norilsk Nickel must resolve their dispute** and ensure the company continues to function to avoid government intervention, Russian Prime Minister Vladimir Putin said on Monday.

Technical Analysis

BRENT - DROP FROM 89.58 TESTED FLAG BOTTOM OFF 36.20 (SEE GRAPH)



/LCOc1 (Brent Futures: 75.64 Daily charts).

New recovery high retested long term monthly breakdown of September 2008 (88.90), with drop from there having tested the Flag bottom from 36.20 (see graph: stands today at 73.90).

1st support area at 74.39 (current week low), with next levels at 74.04/ 73.90 (weekly envelope bottom/ see above + break-up daily), ahead of 71.93/ 71.75 (modified daily Alpha Beta trend bottom/ Aug 25 low), where pause favored.

If wrong next levels at 70.90/ 70.77 (daily Bollinger bottom/ July 06 low), ahead of 70.34 (daily Starc bottom): tough on 1st attempts.

1st Resistance area at 76.93/ 76.97 (current week high + modified daily Standard Error Band top/ broken daily Long Term Moving Average↑), ahead of 77.69 (Aug 17 high + modified daily Alpha Beta trend top) and 78.35/ 78.50 (daily Starc top/ breakdown daily), where pause favored.

If wrong, next level at 82.86 (Aug 04 high + weekly modified Standard Error band top): tough on 1st attempts.

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