

Commodities: Off to a good start in the new year

- **Energy:** Cold weather brings short-term lift
- **Precious metals:** Platinum and palladium catch up
- **Base metals:** Main beneficiaries of the global economic recovery

Looking back: The past month saw a largely uniform trend on commodities markets. Virtually all commodities classes managed noticeable gains, with base metals out in front, after already having been November's major winners. Only agricultural commodities gave up ground, due to upward revisions of projected harvests. There were far greater differences within commodity classes: precious metals platinum and palladium, for example, notched up significant price gains, while for the second month running gold displayed weakness.

Commodity	Unit	Price on 19/01/2010	Change in % compared to previous			
			week	month	year	
Energy	WTI	\$/bbl	77.8	-5.7	6.1	113.1
	Brent	\$/bbl	76.5	-3.5	3.8	72.0
	Gasoline	\$/Gallon	2.0	-5.0	7.5	74.4
	Heating Oil	\$/Gallon	2.0	-7.1	3.5	37.5
	Natural Gas	\$/MMBtu	5.5	1.7	-4.1	15.5
	Gas Oil	\$/t	617.8	-6.0	3.8	41.2
	GSCI Energy	Index points	1,001.1	-5.4	4.3	21.7
Precious Metals	Gold	\$/oz	1,130.3	-1.8	1.8	34.6
	Silver	\$/oz	18.4	0.5	8.5	-3.9
	Platinum	\$/oz	1,635.5	3.0	14.4	72.6
	Palladium	\$/oz	455.0	5.3	24.4	144.7
	GSCI Precious Metals	Index points	1,478.0	-0.7	0.0	36.1
Base Metals	Copper	\$/t	7,485.3	-0.8	9.7	72.0
	Nickel	\$/t	18,839.0	5.7	10.4	74.6
	Aluminium	\$/t	2,283.5	-0.6	3.1	59.5
	Zinc	\$/t	2,462.5	-3.2	3.2	100.6
	Lead	\$/t	2,452.8	-2.1	6.5	111.1
	GSCI Base Metals	Index points	1,723.6	0.0	3.3	81.7
	GSCI Agriculture	Index points	586.9	-6.3	-4.4	0.7
	GSCI Livestock	Index points	2,091.2	1.5	2.7	-10.7
	GSCI Total Return	Index points	4,470.1	-4.7	2.7	20.4

Source: CFTC, Bloomberg, DekaBank

Note: The futures price refers to the next generic futures contract (generally 1-month term).

Outlook: In past months, two factors have dominated the commodities markets: China's significant recovery and the excessive liquidity. Over the coming quarters, the focus should increasingly shift to economic development in OECD countries. But since the recovery there is likely to remain modest, market participants will be paying greater attention to changes in the inventories of a number of energy commodities and many base metals, which are still full to bursting. **Volatility will probably continue to be high in coming months.**

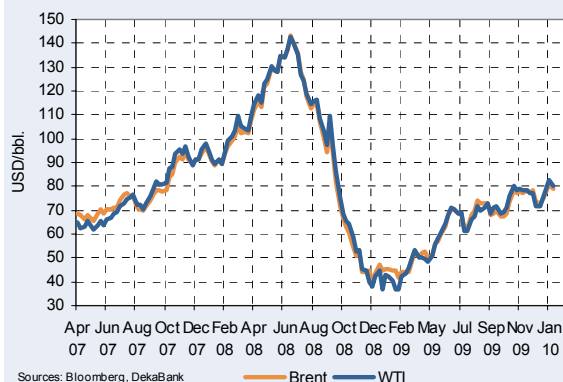
Cold weather brings short-term lift

1. Currently: Over the past month, the primary determinant of oil prices was the cold weather, causing the price of WTI crude to rise to USD 83/barrel at the start of January. When weather conditions returned to normal, the price of oil also dropped back below USD 80. U.S. oil inventories are still full to bursting, offering no support to any price rise at the moment.

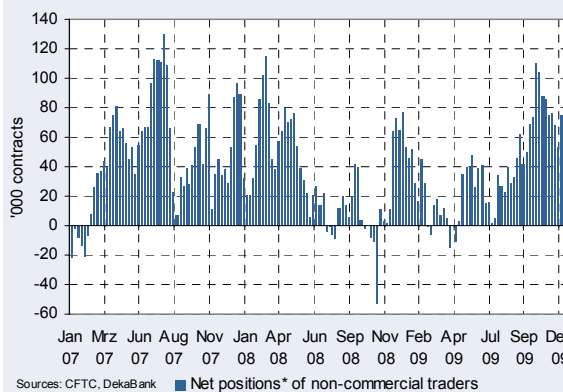
2. Fundamental factors: Net long positions of non-commercial traders on the crude oil futures market have risen to a record high, but this had virtually no effect on oil prices. Meanwhile **in mid-January, the Commodity Futures Trading Commission (CFTC) made a proposal to set position limits for futures markets in energy commodities.** The plan, which hews closely to existing regulations in the agricultural area, limits the positions which individual traders may hold in futures and options contracts, broken down by contract term and overall. There are also provisions for aggregate position limits per market. **The new position limits will be determined by the volume of open contracts, but are so liberally drawn that –** contrary to what many market participants originally feared – **they will virtually have no effect on the market for energy futures.** Were the measures to be approved, the CFTC believes, it would only be approximately the ten largest traders that would be affected.

3. Our view: For 2010, in contrast to previous years, we see a much more moderate trend in oil prices. The dramatic rise in prices in 2009 was traceable to the recovery of demand from China, which turned out to be clearly stronger than expected. **Continued significant rises justified on fundamental grounds now require a sustained recovery in demand in OECD countries.** Based on our view of the economy, however, this recovery will be rather hesitant, which diminishes oil's upside potential. Towards the end of 2010, we are even expecting crude oil prices to go down, in reaction to central banks' pulling back from their highly expansive monetary policies.

Cold weather provides support

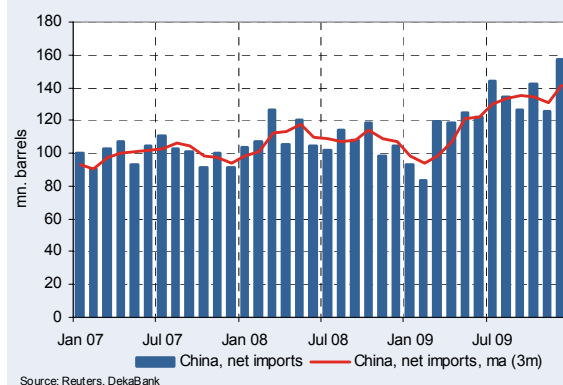


Speculators betting on rising prices



* A net positive (negative) position means that the majority is betting on rising (falling) prices.

Demand from China carries recovery along



Our forecast for WTI

	Ø Dec.	3 months	6 months	12 months
Price*	\$ 74.6	\$ 77	\$ 75	\$ 72

* The 3-month price, for example, indicates that we expect WTI to have an average price of USD 70 per barrel in March 2010.

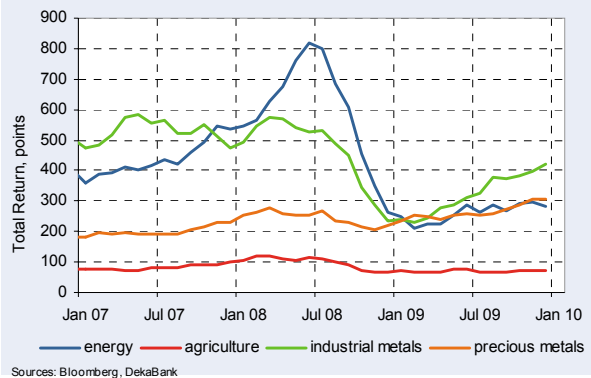
Base metals: Beneficiaries of the global economic recovery

1. Currently: Over the past half year, base metals managed to establish themselves as the primary beneficiaries of the global economic recovery, as seen in the GSCI Performance Index (see Chart). And last month too, the world's economic recovery provided sufficient impetus for further price rises, such as the global improvement in the Purchasing Managers Index in the Manufacturing sector.

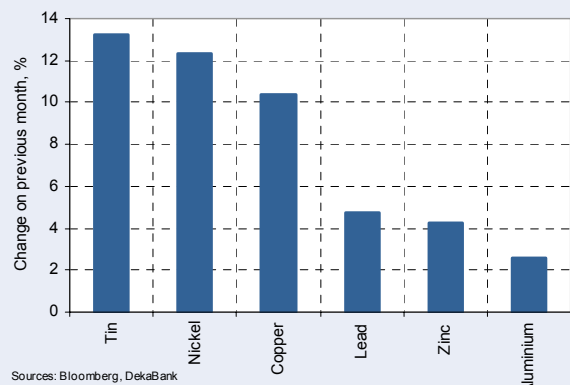
2. Fundamental factors: High demand from China was one of the most important factors in 2009's rise in prices for base metals. China plays a particularly prominent role in copper, where it accounts for just under one fourth of world demand. Chinese demand for copper imports, rising on average more than 70% compared to the year before due to 2009's economic package, was, therefore, the decisive driving force in copper prices (+72% yoy). **While we are expecting the Chinese economy to experience robust development in 2010 as well (+9.5% yoy), the momentum which China is providing for copper prices should abate over the course of the year.** The improved availability of copper scrap and the development of domestic production capacities are reducing the need for imports. It is true that the pullback in demand from China will not be strong enough to exert significant downward pressure on copper prices, but a pick-up in OECD demand would be required for prices to increase significantly.

3. Our view: From the perspective of the next few months, we are anticipating further rises in the price of copper, with a similar picture for other base metals as well. The upward trend should be supported by Chinese demand, on the one hand, with help coming, on the other, from a revival of industrial production in OECD countries, where an expansion of base metal inventories should come about. In the second half of the year, however, the central banks' retreat from their expansive monetary policies will probably lead to prices for base metals becoming lower once again.

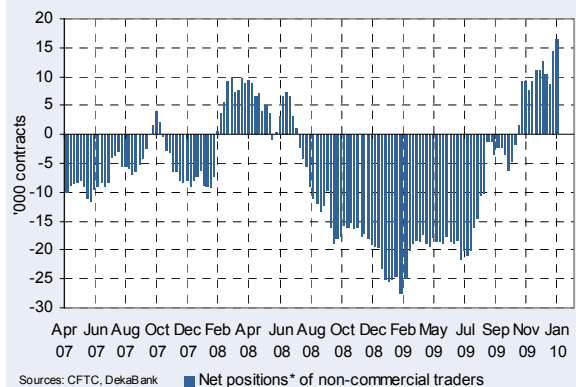
GSCI: Base metals the fastest to recover



Support from positive economic data



Copper: speculators optimistic like never before



* A net positive (negative) position means that the majority is betting on rising (falling).

Copper: Our forecast

	Ø Dec.	3 months	6 months	12 months
Price*	\$ 6974	↑	→	→

* Price per ton. The arrows show the direction of change relative to the monthly average shown in the second column of the table.