

A glimmer of hope on the economic horizon bestows the gift of higher commodities prices

- **Energy:** Recovery trends in crude oil prices
- **Precious metals:** Silver lives up to its hybrid role
- **Base metals:** A driving force on the lead market stumbles

Looking back: March brought a number of **positive surprises among economic indicators**. A number of purchasing manager indices and other sentiment indicators once again managed to continue their upward movement. The announcement of additional support measures by governments and central banks did their part as well. Thus, **this tender little seedling called "hope" gave the gift of robust price rises to a number of commodities**. The most obvious gains were posted by heavily cyclical components such as energy commodities and base metals. Gold, on the other hand, was one of the few commodities to go down in price during the past month.

Commodity	Unit	Price on 3/4/2009	Change in % compared to previous			
			week	month	year	
Energy	WTI	\$/bbl	53.2	9.9	16.9	-49.9
	Brent	\$/bbl	53.9	12.2	20.1	-48.7
	Gasoline	\$/Gallon	1.5	9.3	13.2	-45.3
	Heating Oil	\$/Gallon	1.5	8,6	18.6	-51.3
	Natural Gas	\$/MMBtu	3.8	2.4	-3.0	-58.9
	Gas Oil	\$/t	457.3	4.1	25.4	-52.5
	GSCI Energy	Index points	823.9	0.5	15.0	-62.1
Precious Metals	Gold	\$/oz	877.8	-4.1	-6.9	-3.4
	Silver	\$/oz	12.4	-4.8	-6.9	-30.1
	Platinum	\$/oz	1158.0	4.0	7.4	-42.8
	Palladium	\$/oz	219.8	1.2	8.0	-50.5
	GSCI Precious Metals	Index points	1162.8	-4.9	-3.4	-4.7
Base Metals	Copper	\$/t	4278.8	6.4	21.6	-48.7
	Nickel	\$/t	10847.0	12.6	13.2	-62.4
	Aluminium	\$/t	1448.0	4.2	12.7	-49.5
	Zinc	\$/t	1344.5	1.3	20.8	-41.7
	Lead	\$/t	1310.0	3.0	22.3	-55.6
	GSCI Base Metals	Index points	1055.5	4.2	13.2	-52.3
GSCI Agriculture	Index points	573.5	5.3	10.8	-36.7	
GSCI Livestock	Index points	2266.9	0.0	1.4	-18.4	
GSCI Total Return	Index points	3739.8	1.9	12.5	-55.2	

Sources: CFTC, Bloomberg, DekaBank

N.B.: The futures price in each case refers to the next generic futures contract (usually 1 month out).

Outlook: In our opinion, the latest price rises **do not yet mark the start of a pronounced upside move**. For **energy commodities** specifically, **the high level of inventories needs to be reduced before there is any talk of shortages again**. But also with **base metals**, we still do not see any trend towards rising prices in the immediate offing. In order for that to happen, the real economic data would need to show sustained improvement, something we are only expecting towards the end of 2009. Among **precious metals**, platinum and palladium, which are biased by their use in industry, will if anything become even cheaper over the coming months as well, while gold and silver prices should probably trend sideways.

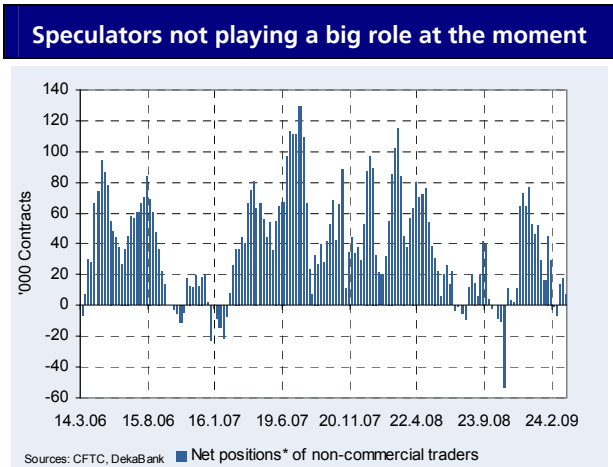
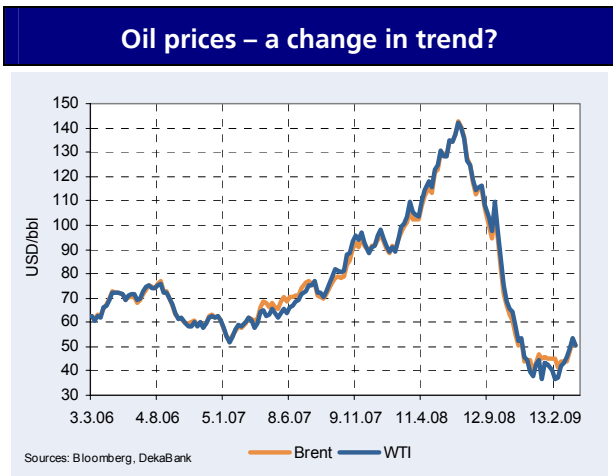
Recovery trends in crude oil prices

1. Currently: Oil prices have bottomed out. Positive surprises in hard economic data and improving purchasing manager indices have lately even lent a hand in bringing **the price of oil back up above the USD 50 dollar mark**. The positions taken by non-commercial oil traders at the moment do not appear pronounced enough to have played a big part in this. It was more likely the fundamental data which had an effect here.

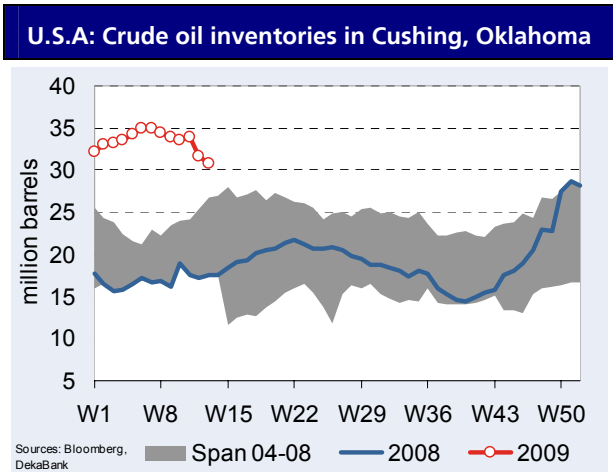
2. Fundamental factors: At their last meeting on 15 March, OPEC countries left their crude oil output quotas unchanged. The cartel expressed its concern over the state of the world economy and the weakness in global crude oil demand. By their calculations, the oil market would be in equilibrium in 2009 if OPEC output were to drop by 1.8 million barrels compared to the year before. This calculation is in line with the U.S. Energy Information Administration's expectations, differing only slightly from the International Energy Agency's prediction of -1.6 million barrels. But the cuts already decided on, and to a large extent implemented, are already going beyond this decrease. Hence, **the OPEC countries have a hard time justifying further production cutbacks on the basis of the fundamental data.**

At the same time, they are waiting for their previous cuts to show up in the inventory data and, above all, in the price trend. Weekly U.S. inventory data for crude oil are, thus far, not signalling any slimming down of oil supplies, which would be an indication of scarcity. Of late, though, oil inventories have significantly dropped at least in Cushing, the chief delivery point for WTI.

3. Our opinion: Despite the latest developments in oil prices, we **still do not see any marked upward movement in oil prices impending in the immediate future**. But a solid bottom has indeed been formed. So we ought now to be moving into a phase in which signs of a crude oil shortage grow more frequent, above all in the form of diminishing inventories in key consumer regions. These will then be harbingers of the **sharper price increases that we are anticipating for the summer months**.



* A net positioning in positive territory means that the majority is betting on rising price quotations.



Our forecast for WTI

	Mar. avg.	3 months	6 months	12 months
Price change*	48.1 \$	53 \$	77 \$	64 \$

* The price change on, e.g., a 3-month basis means that we are expecting an average WTI price in June of USD 53 per barrel.

Silver lives up to its hybrid role

1. Currently: After the massive collapse in the 2nd half of 2008, the price of silver **came roaring back between December 2008 and the second half of February 2009**. Over the last weeks, however, a renewed downward movement has set in. A similar trend can be seen in the positions of non-commercial traders on the commodity futures exchange in New York.

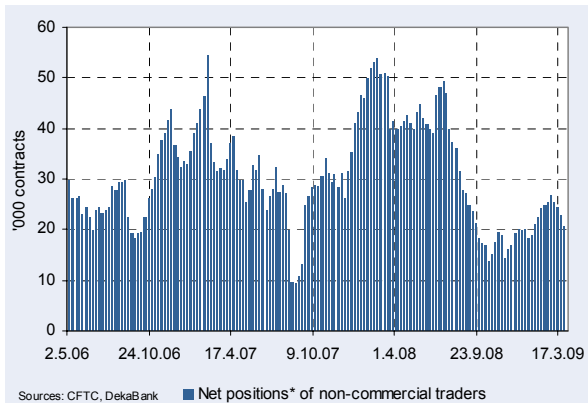
2. Fundamental factors: Silver has continued to live up to its "hybrid" role as (1) a precious metal serving as a safe investment haven and (2) a precious metal with a not insignificant industrial usage. Trading at a ca. 20% discount to last year, silver is admittedly a long way behind gold, the price levels for which are just about as high as they were a year ago. But compared to the precious metals used in the auto industry, platinum (ca. -40% yoy) and palladium (ca. -55% yoy), silver has turned in a good showing. On the one hand, **silver serves in part as a low-priced substitute for gold in its role as safe haven**, particularly when gold prices head for the stratosphere, as was the case in the first few months of this year. Such has increasingly been seen since the start of the year in the unabating demand for silver by ETFs backed by the physical commodity. On the other hand, **silver continues to be used more and more in high-tech areas** of the technology, electrical and medical sectors. In the area of apparel too, silver is making strides in the manufacture of polyester fabrics, due to its sterilising and anti-bacterial effects in many articles of clothing. **Hence, even in the age of digital photography, silver remains an important precious metal for industry** even though the poor business situation is currently putting pressure on the industrial demand for silver.

3. Our opinion: As long as the financial crisis and the global recession continue with no let-up, the price of silver should scarcely be able to manage a sustained rise. We think that **the next few months will instead see sideways movement, before concerns over inflation and the upturn in demand in 2010 will once again provide a slight rise in silver prices**.

Silver prices giving up ground of late

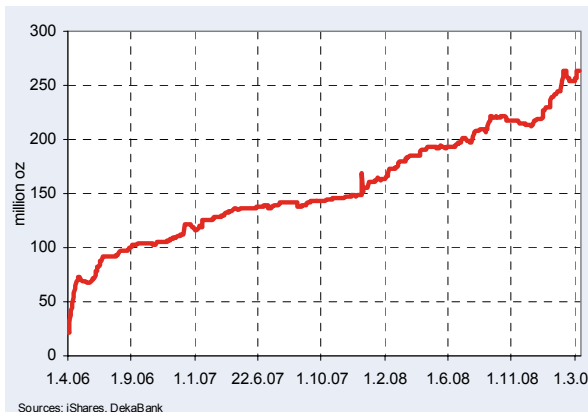


Speculators moderately optimistic



* A net positioning in positive territory means that the majority is betting on rising price quotations.

No fall-off in ETF demand – quite the reverse



Our opinion

	Mar. avg.	3 months	6 months	12 months
Price change*	\$13.1	→	→	↑

* Arrows indicate a change relative to the respective monthly average value in the second column of the Table.

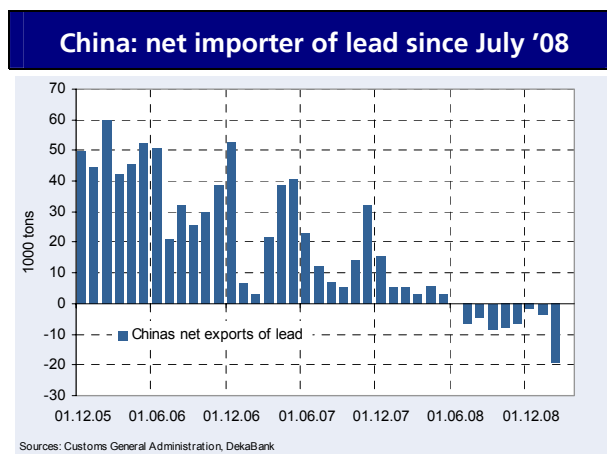
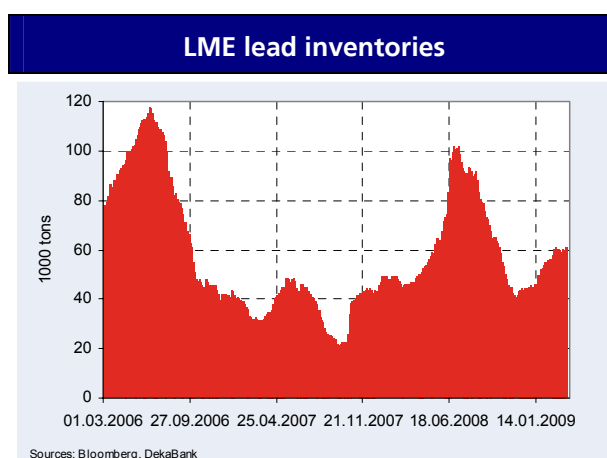
A driving force on the lead market stumbles

1. Currently: Lead prices hit a preliminary low at the end of 2008, showing a slight recovery since that time. **But in our opinion it is premature to speak of a sustained change in trend.**

2. Fundamental factors: The weakness in the automobile sector is still clearly being seen in the trend of lead prices. 80% of lead is used for batteries, above all for the manufacture of car batteries. **Lead inventories on the London Metal Exchange have been rising since mid-November.**

Production, which from a global perspective has undergone multiple cutbacks, is still falling more slowly than demand. This is hardly a surprise, with auto production in the EU down more than 30% compared to the previous year, in the U.S. down more than 50% and in Japan even falling more than 60%. In the time period between October 2008 and January 2009, even China produced significantly fewer automobiles than a year ago. But what is important in this regard is that it is not just a matter of new car production requiring lead for its batteries. An important part of the demand for lead is accounted for by the manufacture of replacement batteries for existing automobiles. **Since February, a small point of light has been seen on the lead market.** In line with the slight upturn in lead prices, there has also been a halt to inventory build-up, and net Chinese imports have expanded. The fact that China has become a net importer of lead has to do, on the one hand, with the mark-up on domestically produced lead over world market prices. On the other hand, lead is increasingly being used in China for e-bike batteries in place of automobiles. Moreover, China is busy adding to its strategic lead reserves.

3. Our opinion: We regard the price support which has lately been coming from the Chinese market as being temporary. **In the final analysis, the global automobile industry needs to get going in order for the price of lead to take off and stay there.** We do not anticipate this happening over the coming months. **Only on a 12-month basis do we see the price of lead once more reaching a level significantly higher than in March of this year.**



Our opinion

	Mar. avg.	3 months	6 months	12 months
Price change*	\$ 1256	↓	→	↑

* Arrows indicate a change relative to the respective monthly average value in the second column of the Table.