

Economic stimulus programmes send base metal prices soaring

- **Energy:** Oil price holds fast to the USD 50 mark
- **Precious metals:** Palladium – the economical alternative to platinum
- **Base metals:** China's growing hunger for copper

Looking back: The rising trend followed by base metals in March was also continued in April. The **infrastructure measures in the various economic stimulus packages implemented worldwide are starting to show initial effects**, as inventories of some base metals are now being drawn down or at the very least no longer being increased further. This is still not the case for energy commodities. As a result, crude oil and related commodities showed differing price changes over the previous month. Generally viewed as a barometer for the seriousness of a crisis, **the prices of precious metals are once again falling**, showing that the financial crisis is slowly losing strength and that the freefall downward movement of the global economy is gradually coming to an end.

Commodity	Unit	Price on 6/5/2009	Change in % compared to previous			
			week	month	year	
Energy	WTI	\$/bbl	53.2	3.2	9.9	-52.7
	Brent	\$/bbl	52.5	4.3	-1.9	-54.2
	Gasoline	\$/Gallone	1.5	5.2	10.6	-47.3
	Heating Oil	\$/Gallone	1.4	1.5	3.2	-55.5
	Natural Gas	\$/MMBtu	3.5	7.6	-4.0	-66.4
	Gas Oil	\$/t	439.8	4.5	-0.8	-59.2
	GSCI Energy	Indexpoints	790.3	2.9	-3.9	-66.6
Precious Metals	Gold	\$/oz	888.2	-2.8	-4.1	4.4
	Silver	\$/oz	12.5	-3.4	-3.8	-22.6
	Platinum	\$/oz	1096.4	-7.1	-3.5	-41.8
	Palladium	\$/oz	213.9	-9.2	-3.5	-48.5
	GSCI Precious Metals	Indexpoints	1150.0	-2.0	-2.5	-2.0
Base Metals	Copper	\$/t	4608.5	2.8	14.3	-54.2
	Nickel	\$/t	11846.0	3.1	18.2	-58.0
	Aluminium	\$/t	1509.3	5.6	11.6	-46.2
	Zinc	\$/t	1495.8	6.8	16.1	-31.0
	Lead	\$/t	1389.5	-3.0	14.5	-45.8
	GSCI Base Metals	Indexpoints	1055.5	4.2	13.2	-52.3
	CRB	\$	229.2	3.5	5.0	-39.8
	GSCI Agriculture	Indexpoints	573.5	5.3	10.8	-36.7
	GSCI Livestock	Indexpoints	2266.9	0.0	1.4	-18.4
	GSCI Total Return	Indexpoints	3739.8	1.9	12.5	-55.2

Sources: CFTC, Bloomberg, DekaBank

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

Outlook: The base metals took over from the precious metals in the beginning of April to take the lead as the commodities subgroup with the best year-to-date performance, and are likely to retain their lead in coming weeks. The only potential competitor at this point is agricultural products, which are currently exposed to weather-related risks of upward movement. We do not expect any competition from energy commodities **until the summer months, at which time energy inventories will be reduced by vacation-related demand and sustained production cuts, and the oil price will move toward the USD 70 mark.**

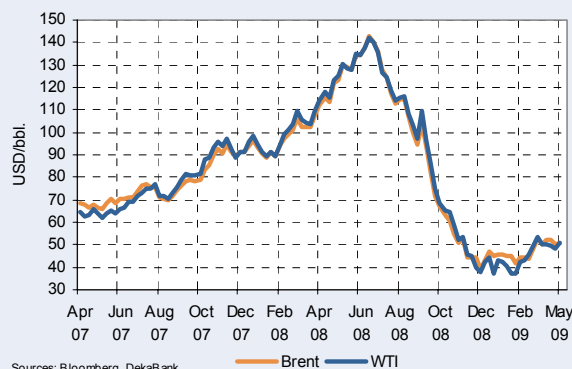
Oil price holds fast to the USD 50 mark

1. Currently: As seen on a weekly basis, the oil price has recovered from its low in the region of USD 40 and below, but is still unable to make large jumps at present. **The price of (WTI) oil has held fast to the USD 50 mark in previous weeks.** Speculators tend to be undecided on the future movement of oil prices. At times, the majority of non-commercial traders were even betting that oil prices would fall once again.

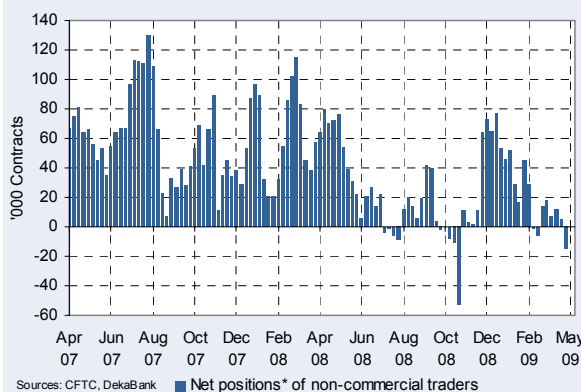
2. Fundamental factors: The current **relaxed fundamental situation in the crude oil market** is partly explained by the strong downward revision to global crude oil demand made by the International Energy Agency (IEA). Based on a downward adjustment of -1.4% in their global forecast of gross domestic product for 2009, **the IEA now expects worldwide oil consumption to decrease by 2.4 million barrels.** The Energy Information Administration (EIA) of the US government is forecasting a decline of 1.35 million barrels, which we consider more realistic. **China has proven the pessimists to be wrong in the end.** Although March oil imports rose 25% over the previous month, they continued to be below the level of the previous year. The gross domestic product figures from China, the second largest oil consumer in the world, suggest that the outcome of the massive economic stimulus packages will more likely be a positive rather than a negative surprise. At the same time, observers are **watching inventories closely for the effects of previous cuts in oil production.** To date, weekly US crude oil inventory data have shown a continuing massive increase in oil supplies. Declining oil inventories are a fundamental requirement for an increase in oil prices, and would be the first sign that such an increase was imminent.

3. Our view: We feel that oil prices will continue their sideways movement for another two months. **In the summer months, however, we expect the combination of increased demand and production cuts to lead to price increases.** These price increases will be preceded by significant inventory reductions.

Driving force still lacking for a price increase

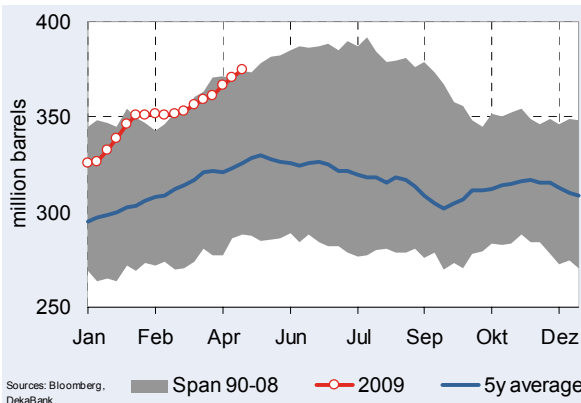


Speculators take net short positions at times



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

US crude oil inventories extremely high



Our forecast for WTI

	Apr. avg.	3 months	6 months	12 months
Price*	\$ 50.00	\$ 60	\$ 78	\$ 62

* The 3-month price, for example, indicates that we expect WTI to have an average price of USD 60 per barrel in July.

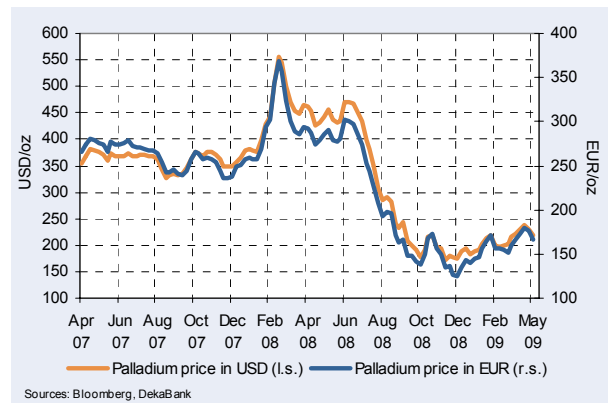
Palladium – the economical alternative to platinum

1. Currently: Prices have stabilised considerably following the dramatic fall in the price of palladium in the previous year.

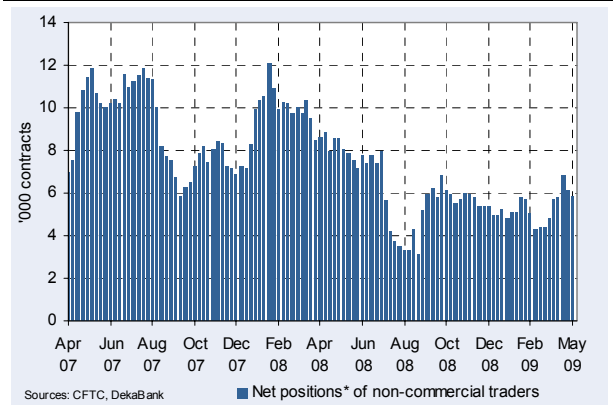
2. Fundamental factors: The chemical behaviour and potential uses of the silver-white precious metal palladium are very similar to those of platinum. Approximately 50% of the previous year's supply was produced in Russia and a further 35% in South Africa. The strong dependence of production on these two countries represents an ongoing risk to users in terms of supply security. Palladium is mainly used to manufacture automobile catalytic converters. The demand for palladium as a substitute for platinum in these catalytic converters is particularly strong when the price of platinum is high due to a shortage of supply. This precious metal has other uses in the areas of electro-technology, dentistry, and increasingly in the production of jewellery. An increasing number of pure palladium jewellery collections are being offered. In addition to being just one fifth the price of platinum, palladium is also only half as dense. This means that palladium jewellery is lighter than platinum, and considerably more palladium jewellery can be produced from the same monetary investment. Palladium is also used to decolour gold, that is, to produce white gold. In terms of regions, demand is well distributed throughout the world. Europe, Japan, North America, China and the rest of the world each generated one fifth of the demand in the previous year. However, financial investors also discovered palladium long ago. Almost 10% of annual production currently goes to financial products with physical deposits of palladium.

3. Our view: Changes in the price of palladium are strongly linked to the price of platinum, with the main difference being that the price level of palladium has been one fifth to one quarter that of platinum in previous years. As we expect global industry to accelerate again in the second half of the year, and the price of platinum to rise, we believe that palladium has similar upward potential over 6 or 12 month period.

Palladium price reaches bottom

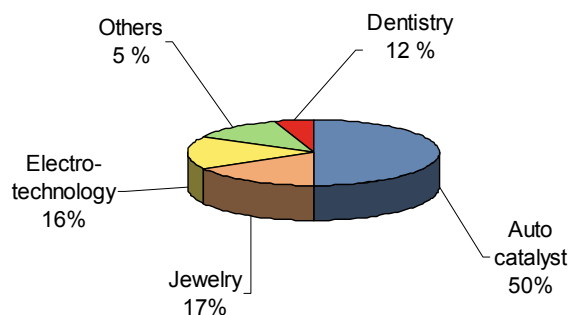


Speculators moderately optimistic



* A net positive position means that the majority are betting on rising prices.

Uses of palladium



Our view

	Apr. avg.	3 months	6 months	12 months
Price*	\$ 228	→	↑	↑

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

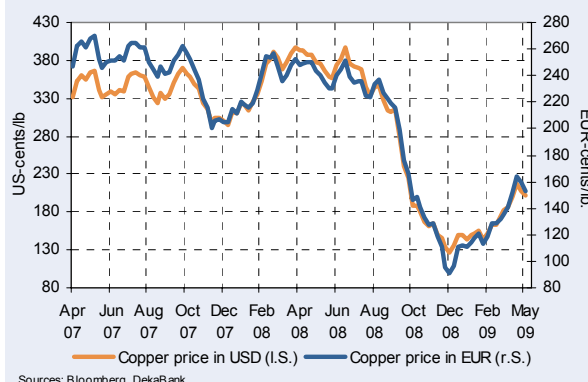
China's growing hunger for copper

1. Currently: The positive effects of the economic stimulus packages implemented worldwide, which in some cases contain highly extensive infrastructure investments, are already showing for copper, in particular, 50% of which is used in construction and transportation. Copper prices reached a low at the end of 2008, and have risen a remarkable 75% since then. Copper speculation only played a limited role in this increase. Although the size of the net short position has declined considerably since February 2009, non-commercial copper traders still remain highly sceptical. The majority still expect copper prices to fall, and have felt that way since July 2008, even though the fundamental trend gives no reason whatsoever to be sceptical about the price of copper.

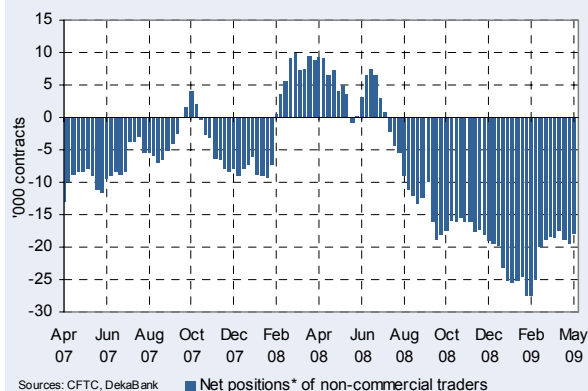
2. Fundamental factors: The Chinese economic stimulus package in particular has the potential to generate upward movement in the copper market. China is the world's most important consumer of copper and is unable to cover its own needs through domestic production. As a result, China is a net importer of copper. China's net imports of copper have been rising strongly since the beginning of the year, and in March they once again reached a record level. While China's monthly copper imports declined steadily until the summer of 2008, they had expanded so strongly by the end of the period that China's net imports of copper were 90% higher in March than the year before. We feel that Chinese demand can sustain this trend, although the rate of growth in imports is too high to be maintained for a long period of time. Consistent reductions in inventories starting in the beginning of April are also a signal that at the very least the level of oversupply is decreasing in the copper market.

3. Our view: Economic stimulus packages around the world are already providing support for the copper market. Although prices could fall if copper demand has not recovered sufficiently once the effects of the economic stimulus packages start to decline, for a period of 3 or 6 months in particular, it is likely that the value of copper will rise.

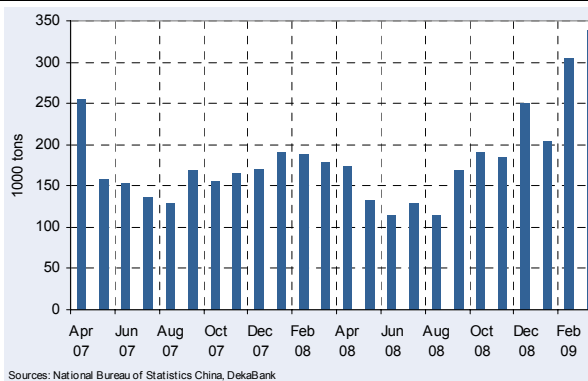
Sharp turnaround in the price of copper



Speculators continue to be sceptical



China's net imports of copper



Our view

	Apr. avg.	3 months	6 months	12 months
Price*	205 USc	↑	↑	→

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