

Search for orientation in the commodities market; only industrial metals move steadily higher

- **Energy:** More and more fundamental linchpins for the oil price
- **Precious metals:** Central banks hold on to their reserves more and more firmly
- **Base metals:** Copper 80% more expensive than at the beginning of the year

Looking back: Only the trend in industrial metals has pointed consistently higher since February. Since the beginning of the year, the prices for industrial metals have increased by 40%. Given that the global economy is unlikely to reach its turning point before mid-year, this momentum of metal prices is certainly noteworthy. **The other commodity sectors continue to seek direction.** Market participants are reacting to news from the commodities sector, but at the same time they appear to be keeping a watchful eye on all kinds of peripheral developments in the equity and currency markets.

Commodity		Unit	Price on 31/7/2009	Change in % compared to previous		
				week	month	year
Energy	WTI	\$/bbl	69.5	2.1	-0.6	-44.0
	Brent	\$/bbl	72.5	2.4	10.5	-41.6
	Gasoline	\$/Gallone	2.0	5.0	6.1	-34.0
	Heating Oil	\$/Gallone	1.8	2.9	6.7	-46.7
	Natural Gas	\$/MMBtu	3.7	-1.1	-4.7	-59.9
	Gas Oil	\$/t	586.3	2.0	10.8	-47.9
	GSCI Energy	Indexpoints	979.1	1.7	0.1	-61.5
Precious Metals	Gold	\$/oz	953.7	0.1	2.8	4.4
	Silver	\$/oz	13.9	0.5	2.7	-21.6
	Platinum	\$/oz	1214.2	2.3	3.2	-31.1
	Palladium	\$/oz	264.6	1.2	5.4	-31.0
	GSCI Precious Metals	Indexpoints	1236.4	0.0	1.2	0.4
Base Metals	Copper	\$/t	5724.0	3.6	15.5	-41.6
	Nickel	\$/t	17910.0	7.2	17.0	-2.0
	Aluminium	\$/t	1873.5	4.2	16.9	-36.3
	Zinc	\$/t	1731.5	3.4	13.5	-8.5
	Lead	\$/t	1861.0	7.6	11.1	-16.5
	GSCI Base Metals	Indexpoints	1399.0	4.4	13.2	-29.9
	GSCI Agriculture	Indexpoints	563.0	3.9	-0.8	-33.1
	GSCI Livestock	Indexpoints	2082.7	0.0	-1.8	-32.7
	GSCI Total Return	Indexpoints	4276.1	2.1	3.8	-54.0

Sources: CFTC, Bloomberg, DekaBank

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

Outlook: The search for orientation in the commodity markets will continue for some time. Only when the economic indicators clearly point higher do we expect a decisive and broad upward trend in commodity prices. This is likely to be the case starting from the autumn. At that time energy commodity prices will rise most strongly, while industrial metal prices will also continue to increase. We expect a very volatile but upward trend in agricultural commodities. However, precious metals prices, primarily gold, are unlikely to have much upward potential.

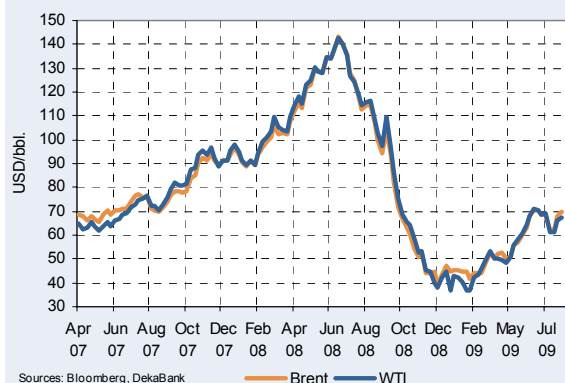
Increasing fundamental support for the oil price

1. Currently: As we anticipated, it has not been possible for the oil barrel price **to remain above USD 70**. Last month the price for WTI crude declined at times even below US 60 again.

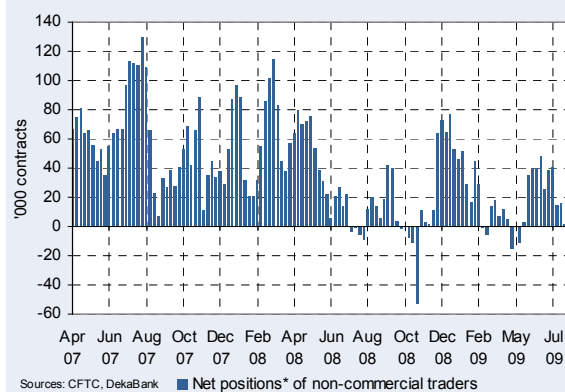
2. Fundamental factors: However, in the crude oil market, **there are more and more fundamental factors that provide support for the oil price**. Thus, for the third time in a row, crude oil net imports to China in June rose sharply above the level in the previous year (17% yoy). Also the downward trend in the OECD demand for oil is now showing clear signs of coming to an end. Support continues to come from the most important oil consumer, the USA. Crude oil supplies have been dwindling there since May. This reduction in inventories has been accompanied by a substantial increase in the US demand for oil for several weeks. Simultaneously, the weak level of **production by the non-OPEC countries is continuing**. Thus, in the second quarter, Norway's and Mexico's oil production again fell well below the previous year's level. But the **OPEC countries "cheated" increasingly in May and June**. They boosted their production, although they have been producing in excess of the official OPEC quota since the beginning of the year. Furthermore, last month significant oil news came from the Commodities Futures Trading Commission, the US regulatory agency. In a statement, the Chairman announced the **launch of stricter regulations for the commodity futures markets**. In the future, the CFTC intends to take action against excessive speculation. Specifically, limits on speculative futures positions, particularly in the energy sector, will be reviewed. In addition, it was announced that the CFTC will increase transparency in the commodity futures markets by its upcoming publications with more detailed weekly data on trading activity.

3. Our view: We assume that the current oil price at a level of about US 65 per barrel for WTI will persist in the coming weeks. However, **beginning in the autumn, we anticipate a sustained increase in the oil price above the USD 70 mark, reflecting ongoing inventory reductions and a continued rise in the global demand for oil**.

Oil price cannot remain above USD 70

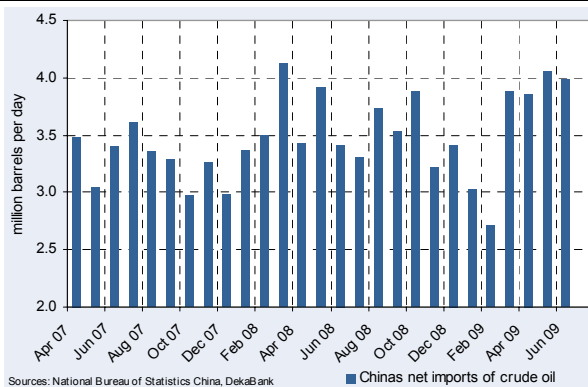


Speculators are losing faith in the price increase



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

China's net imports of crude oil



Our forecast for WTI

	July avg.	3 months	6 months	12 months
Price*	\$ 64.2	\$ 78	\$ 70	\$ 72

* The 3-month price, for example, indicates that we expect WTI to have an average price of USD 78 per barrel in September.

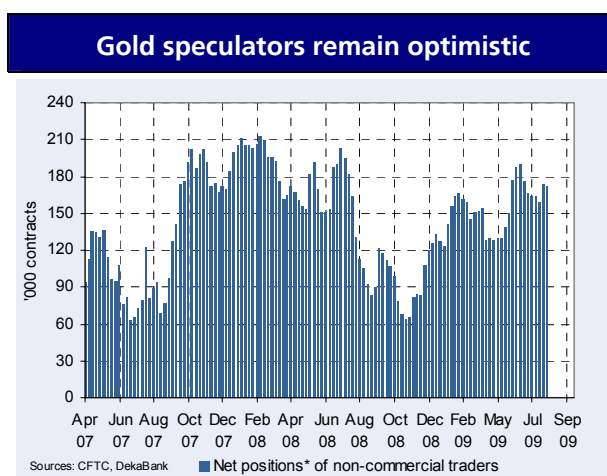
Central banks keep a stronger hold on their gold reserves

1. Currently: In recent weeks, the price of gold has remained **resolutely above the USD 900 mark**, despite continuing favourable trends in the financial markets. Certainly, the sustained optimism of gold speculators also served as a price support.

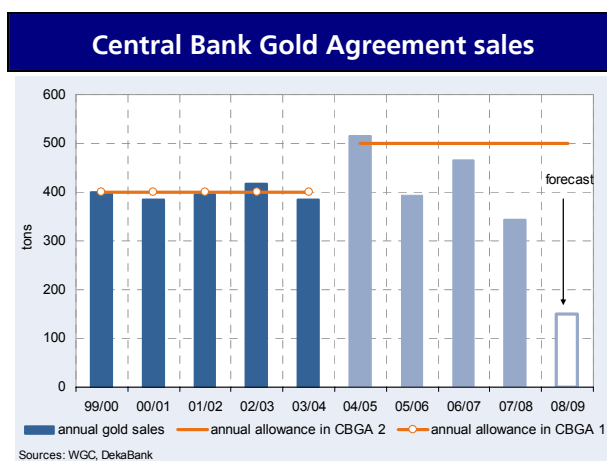
2. Fundamental factors: The **central banks are keeping a stronger hold on their gold reserves**.

Only two months before the expiry of the second Central Bank Gold Agreement (CBGA) signed by the European central banks, the enormous gap between actual and authorized quantities of gold sales remains the largest in the history of the gold agreements. In September 1999, 15 European central banks concluded the first of two agreements. It restricted the maximum quantity of gold sales over a five-year period to 400 tonnes per year. These quotas were actually exhausted by 2004. The subsequent agreement, which applies from September 2004 to September 2009, restricts annual gold sales by the central banks to 500 tonnes. However, there is no demand for this amount. From as early as 2005/06, actual gold sales by the central banks have fallen short of the limit, while it is believed that in 2008/09 only 150 of the authorized 500 tonnes of gold will be sold. **Thus gold is being strengthened in its function as a central bank reserve currency, which is likely to have a positive impact on sentiment in the gold market.** The International Monetary Fund (IMF) plans to purchase significant quantities of gold in the future, which should be incorporated in a follow-on (third) gold agreement. Worldwide the central banks hold about 18% of the above-ground gold supply, of which 38% belongs to the European central banks and 27% to the US Federal Reserve.

3. Our view: In the coming quarters, the price of gold will **swing back and forth in response to the subsiding financial crisis, a global economic recovery, and a rekindling of inflationary fears**. Therefore, we do not anticipate any clear direction for the next 12 months.



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



Our forecast

	July avg.	3 months	6 months	12 months
Price change*	\$ 935	\$ 910	\$ 950	\$ 870

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

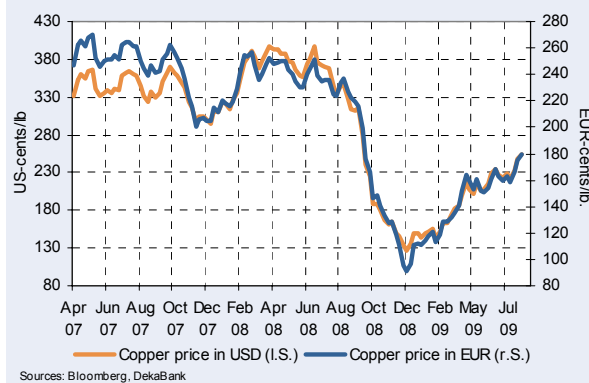
Copper 80% more expensive than at the beginning of the year

1. Currently: Since the beginning of the year, a **meaningful increase in the copper price** can be observed: since then the price has risen by more than 80%. Non-commercial traders probably have had little to do with this development. They have held a net short position in the copper market since August 2008. Although they reduced their net short positions in the first months of this year, these positions have stagnated at nearly the same level between March and mid-July.

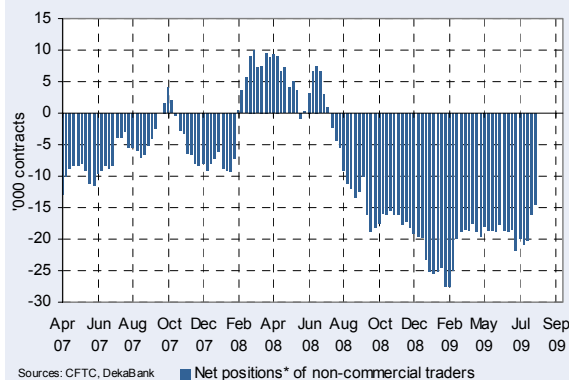
2. Fundamental factors: Increasingly there are **signs of a physical shortage** of copper. China, the world's most important copper consumer, is in the process of building up its strategic reserves. At times this had the effect that Chinese copper prices on the Shanghai Futures Exchange (SHFE) were trading at a significant premium to copper prices on the London Metal Exchange (LME). **Very low copper inventories on the LME** must also be interpreted as a sign of scarcity. At 278,000 tonnes, the supplies have been cut in half since their peak in February and are extremely low compared with previous cycles, when inventories were as high as a million tonnes of copper. **The enormous increase in Chinese net imports** also confirms that China is the main driver behind this price trend. Month by month, imports are reaching new record levels. Thus **the surpluses anticipated for 2009 by many market participants** are gradually disappearing. Meanwhile, the supply side is displaying weakness. Recently the International Copper Study Group (ICSG) revised its capacity and production forecasts for copper for the years 2009 to 2011 sharply lower.

3. Our view: Therefore, the **upward potential of the copper price is by no means likely to have been fully tapped despite the sharp increases since the beginning of the year**. Over the next three, six, and twelve months, we anticipate a higher copper price than in July of this year as a result of an improving global economy.

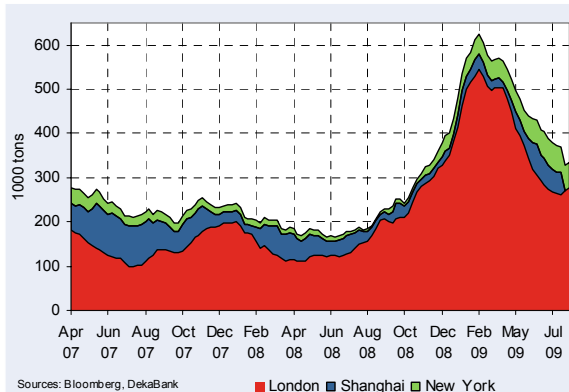
Robust increase in the copper price since the beginning of the year



But speculators remain pessimistic



Copper inventories are dwindling



Our view

	July avg.	3 months	6 months	12 months
Price change*	239 USc	↑	↑	↑

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