

## Commodities market runs out of steam

- **Energy:** Major oil discovery in the Gulf of Mexico
- **Precious metals:** Gold price stable even though financial crisis no longer acute
- **Base metals:** Old car scrapping bonus and concerns about Chinese production provide support for the lead market

**Looking back:** During the past several weeks some of the steam has gone out of the commodity markets. Only some base metals rose further following the previous strong increases, and the increases were considerably slower. Precious metals, however, continue to maintain high price levels, even though the acute phase of the financial crisis has ended. The downward trend in agricultural commodities continued in previous weeks. Due to a lack of significant news from the energy sector, **energy commodities began to follow equity and currency markets more strongly again**, and turned lower with these markets. Natural gas, whose price has fallen by a good 50% since the beginning of the year, continues to be the weakest member of this subgroup, while crude oil, for example, rose by a similar amount during the same period.

Commodity		Unit	Price on 4/9/2009	Change in % compared to previous		
				week	month	year
Energy	WTI	\$/bbl	68.5	-5.9	-4.1	-36.5
	Brent	\$/bbl	67.3	-7.6	-9.4	-36.7
	Gasoline	\$/Gallone	1.8	-13.0	-12.8	-34.6
	Heating Oil	\$/Gallone	1.7	-6.7	-8.7	-42.6
	Natural Gas	\$/MMBtu	2.4	-19.7	-39.1	-66.7
	Gas Oil	\$/t	549.3	-8.0	-7.8	-43.5
	GSCI Energy	Indexpoints	909.5	-7.3	-11.1	-57.7
Precious Metals	Gold	\$/oz	990.7	3.5	2.4	23.9
	Silver	\$/oz	16.0	8.4	9.1	24.7
	Platinum	\$/oz	1257.2	0.9	-1.5	-10.3
	Palladium	\$/oz	293.2	2.7	6.8	2.6
	GSCI Precious Metals	Indexpoints	1304.8	4.6	3.9	24.0
Base Metals	Copper	\$/t	6247.0	-0.6	4.0	-36.7
	Nickel	\$/t	18195.0	-4.8	-3.1	-6.8
	Aluminium	\$/t	1823.0	-0.9	-6.6	-30.7
	Zinc	\$/t	1872.3	2.6	2.6	5.6
	Lead	\$/t	2270.0	11.2	17.5	17.1
	GSCI Base Metals	Indexpoints	1469.8	-2.2	-3.7	-17.9
	GSCI Agriculture	Indexpoints	529.2	-5.6	-8.5	-31.3
	GSCI Livestock	Indexpoints	1987.3	1.3	-2.4	-32.2
	GSCI Total Return	Indexpoints	4039.1	-5.9	-9.4	-49.5

Sources: CFTC, Bloomberg, DekaBank

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

**Outlook:** This diverging trend indicates that commodity markets continue to search for a point of reference. **Some commodity prices are currently at a level justified by the fundamentals, that is, easily explained in terms of physical supply and demand.** This might also be one of the reasons why the correlation with movements in other markets continues to be unusually high. We expect commodity price trends to align themselves more strongly with fundamental commodity factors in coming months, and therefore expect moderate upward movements in commodity prices.

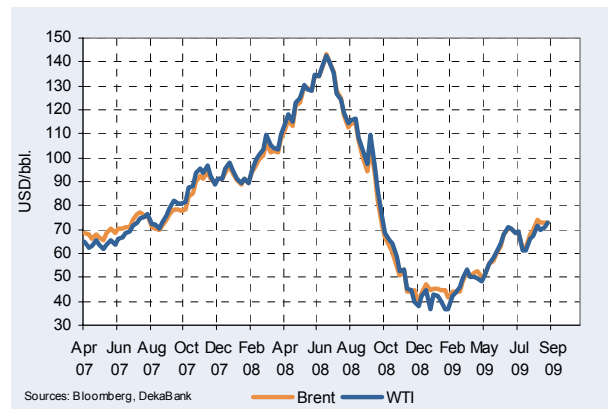
## Major oil discovery in the Gulf of Mexico

**1. Currently:** The oil price traded around the USD 70 level in previous weeks. As before, there continues to be an unusually strong correlation between the equity and crude oil markets. Non-commercial oil traders were positioned somewhat more strongly on the long side at the end of the period.

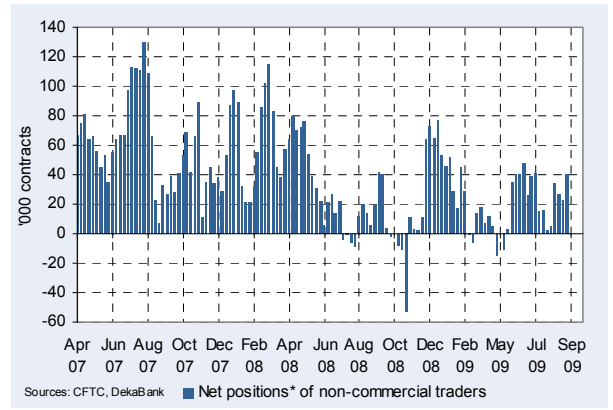
**2. Fundamental factors:** Representatives of the OPEC countries meet in Vienna this week to reach a new agreement on oil production. This is unlikely to lead to any change in official quotas. It still appears too early for an increase in the production quota, as excess inventories worldwide have not yet been sufficiently drawn down. On the other hand, a reduction in the production quota would result in unnecessary pressure on the price of crude oil and endanger the sensitive green shoots of economic recovery worldwide, particularly given that the **OPEC countries have been producing above the official quota for months**. However, an appeal for stronger adherence to quotas can be expected at the OPEC meeting. The **report of a "gigantic oil discovery" by Europe's second largest oil corporation, BP**, at the beginning of September was important in terms of fundamentals. BP struck this major oil field while drilling the deepest well ever drilled in the history of the world in the Gulf of Mexico (approximately 10.68 km). The field is estimated to contain 3000 million barrels of crude oil. This is slightly less than Great Britain's proven oil reserves, and equals 0.3% of the world's proven oil reserves to date. According to information from BP, the discovery could raise the company's production in this region by 50% to 600 thousand barrels per day. Due to the long investment cycle, however, this oil is unlikely to reach the market before 2015. This is probably the main reason the oil price showed no short-term reaction to the report.

**3. Our view:** We consider the current oil price level of around USD 65 to be essentially justified by the fundamentals, that is, explained by physical market supply and demand. **We expect fundamental factors to drive the price of crude oil (WTI) upwards towards USD 75 per barrel in coming months.**

### Oil price moving around the \$70 level

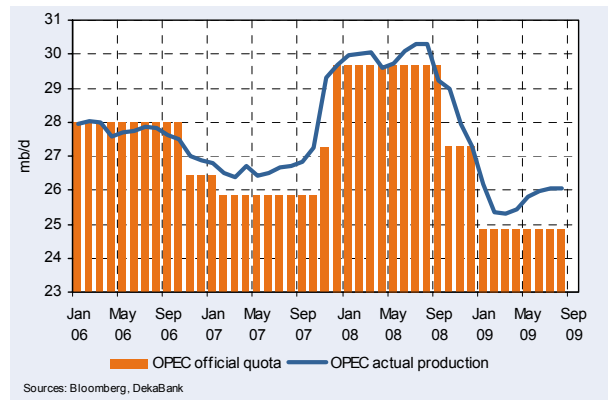


### Speculators somewhat more confident again



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

### OPEC producing above allowed quota



### Our forecast for WTI

	August avg.	3 months	6 months	12 months
Price*	\$ 71.10	\$ 74	\$ 68	\$ 74

\* The 3-month price, for example, indicates that we expect WTI to have an average price of USD 74 per barrel in November.

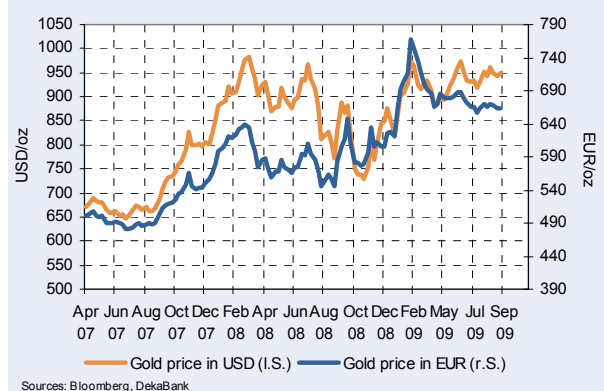
## Gold price stable although financial crisis no longer acute

**1. Currently:** The price of gold settled at the level of **USD 950 per fine ounce** in previous weeks. This is undoubtedly due in part to continued weakness of the US dollar and a further increase in the net long position held by non-commercial gold traders.

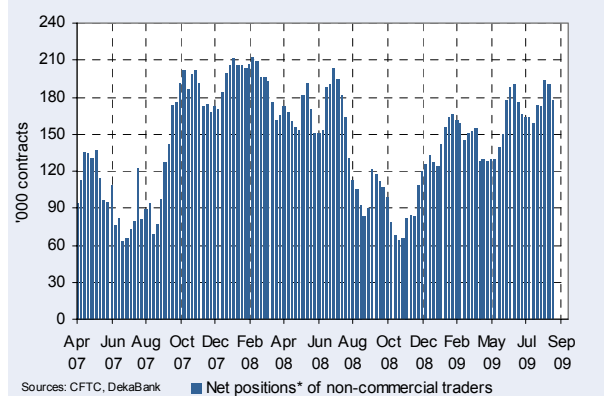
**2. Fundamental factors:** The World Gold Council has published global gold market supply and demand data for the second quarter of 2009. As was true for the first quarter of the year, the data show no real fundamental support for the gold price. **Even though the supply of gold in the second quarter decreased 23% compared to the first quarter of the year**, it nevertheless remained 14% higher than the level of the previous year. Despite a slight increase in mine production, there was a particularly large drop in gold sales by central banks, which are increasingly reluctant to draw down their gold reserves. In net terms, central bank gold reserves even increased in the second quarter. The central bank signatories to the European Central Bank Gold Agreement (CBGA) signed their third gold agreement, in which they confirm that gold remains an important component of currency reserves. The agreement enters into force at the end of September and restricts gold sales by central bank members to just 400 tonnes per year for the coming five years. **The demand for gold also continued to suffer in the second quarter. The global demand for gold decreased 30%** compared to the first quarter, falling to a level 9% below the level of the previous year. Demand for industrial and jewellery use were the primary reasons for the weakness, with jewellery demand experiencing a particularly large drop in the emerging markets due to the significant increase in the price of gold. The moderation of the financial crisis has also led to a reduction in demand by financial investors compared to the first quarter (e.g. ETF demand).

**3. Our view:** In our view, the gold price will continue to **trend sideways in the delicate balance between decreasing severity of the financial crisis, improved economic prospects, and the surge in inflationary fears.**

### Gold price maintains its level

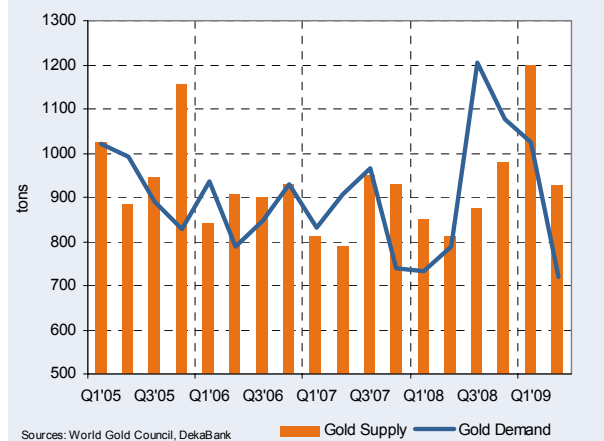


### Gold speculators optimistic again



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

### Gold demand falls strongly



### Our forecast

	August avg.	3 months	6 months	12 months
Price*	\$ 950	\$ 940	\$ 960	\$ 860

\* The 3-month price, for example, indicates that we expect gold to have an average price of USD 940 per fine ounce in November.

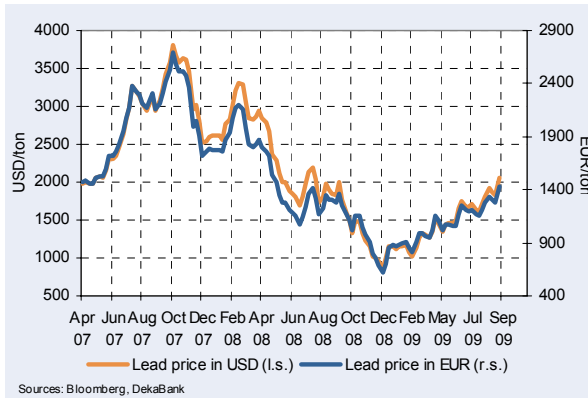
## Old car scrapping bonus and concerns about Chinese production provide support for lead

**1. Currently:** Earlier than we had expected, **the price of lead has turned up and doubled since the beginning of 2009.** The main reason lies in the old car scrapping bonuses being offered worldwide, which our calculations indicate have now reached 16% of 2008 global automobile production given full utilisation of the bonuses. The recent production stops in China are another reason.

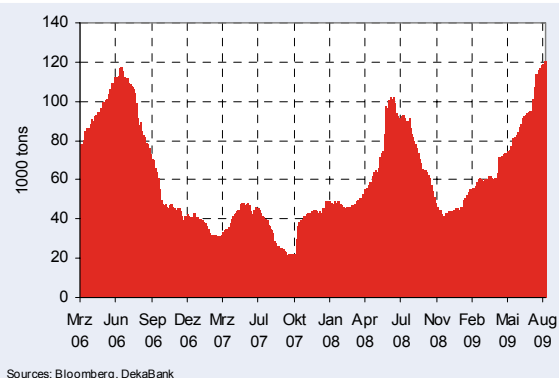
**2. Fundamental factors:** 80% of the lead consumed is used for batteries, primarily the production of automobile batteries. The worldwide **scrapping bonuses stimulating automobile production therefore also produce an effect in the lead market.** Automobile production has been rising since the spring or summer months in many important economic regions of the world, namely the EU, US, China and Japan. Chinese automobile production is already far above the level of the previous year. Chinese net imports of lead are nevertheless falling as the price of lead increases in global markets. It is questionable whether this trend will continue, however, as **many lead smelters have recently been shut down for the first time in a number of Chinese provinces due to lead poisoning of children.** The production facilities are being examined for compliance with environmental regulations, which could lead to at least a temporary shortage of supply in China. This could in turn interfere with continued easing of the global inventory situation. To date, however, **there has been a strong and, given the movement of prices, rather surprising upward trend in inventories** that has continued since the beginning of the year. As a result, the **fundamental indicators are currently pointing in different directions.**

**3. Our view:** Most of the **scrapping bonuses will come to an end toward the end of 2009 or in the spring of 2010.** Automobile production can be expected to fall after this, and the effects will also be felt in the lead market. The lead market could, however, experience strong **upward pressure on prices in coming months, in part due to the supply situation in China.**

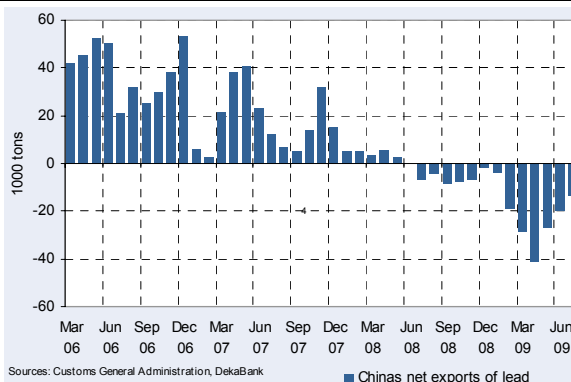
### Lead price has doubled since the beginning of the year



### Lead inventory is nevertheless higher



### China is still a net importer of lead



### Our forecast

	August avg.	3 months	6 months	12 months
Price*	\$ 1911	↑	↑	→

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