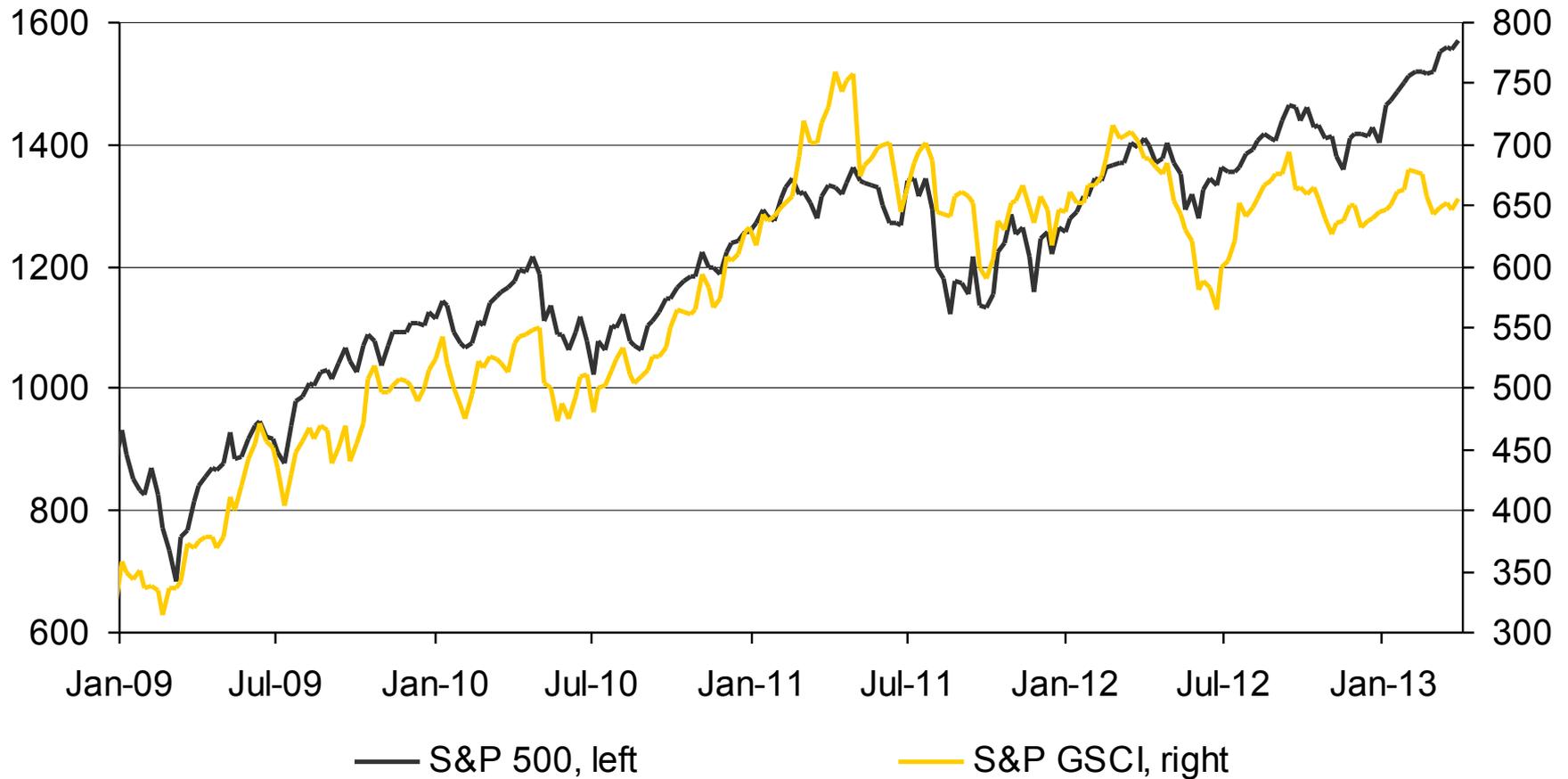




Outlook on the Global Commodity Markets – it's always darkest before the dawn

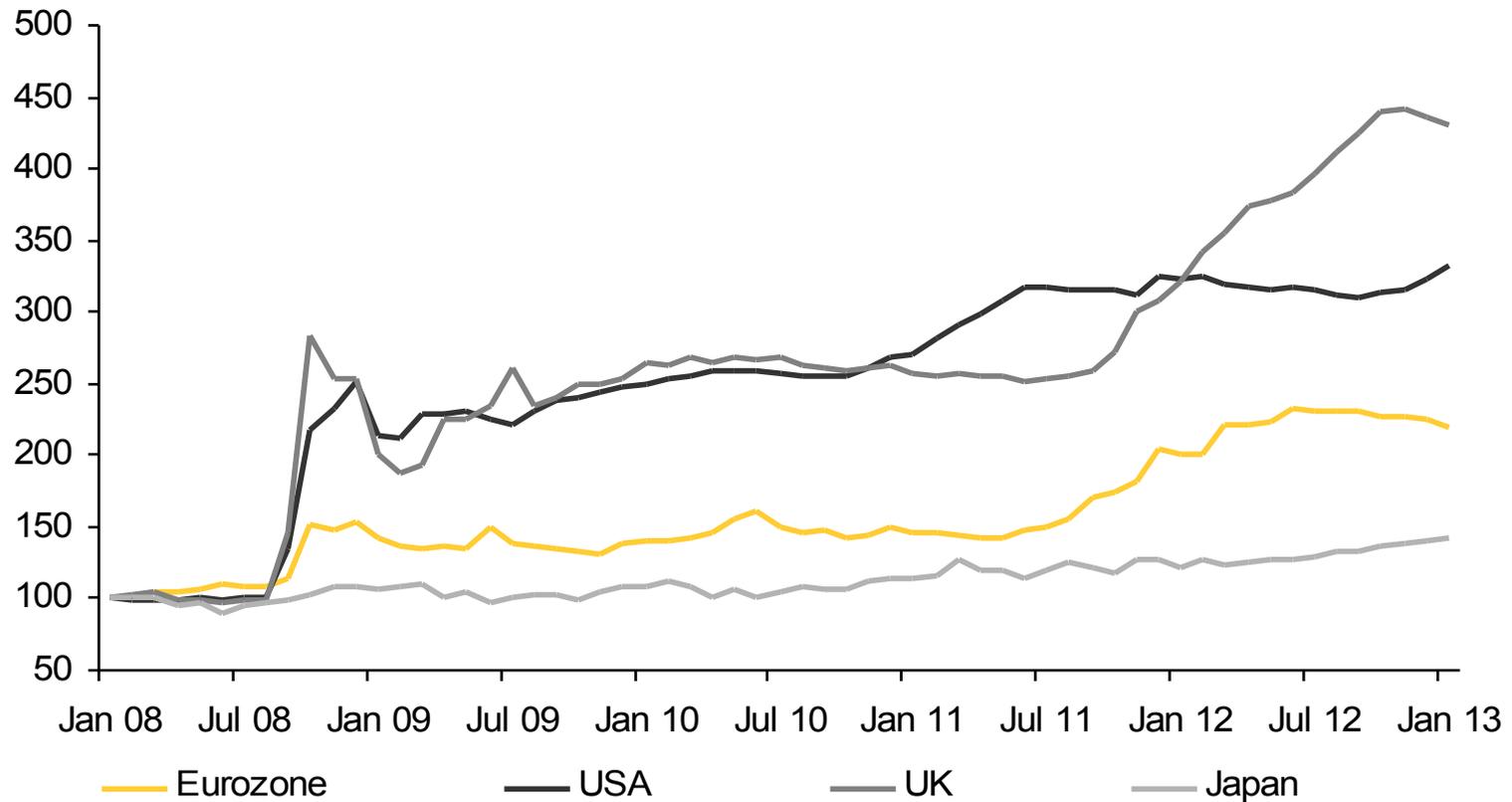
Eugen Weinberg – Global Head of Commodity Research
May 2013

Paradigm shift: Commodities and equities increasingly de-coupling



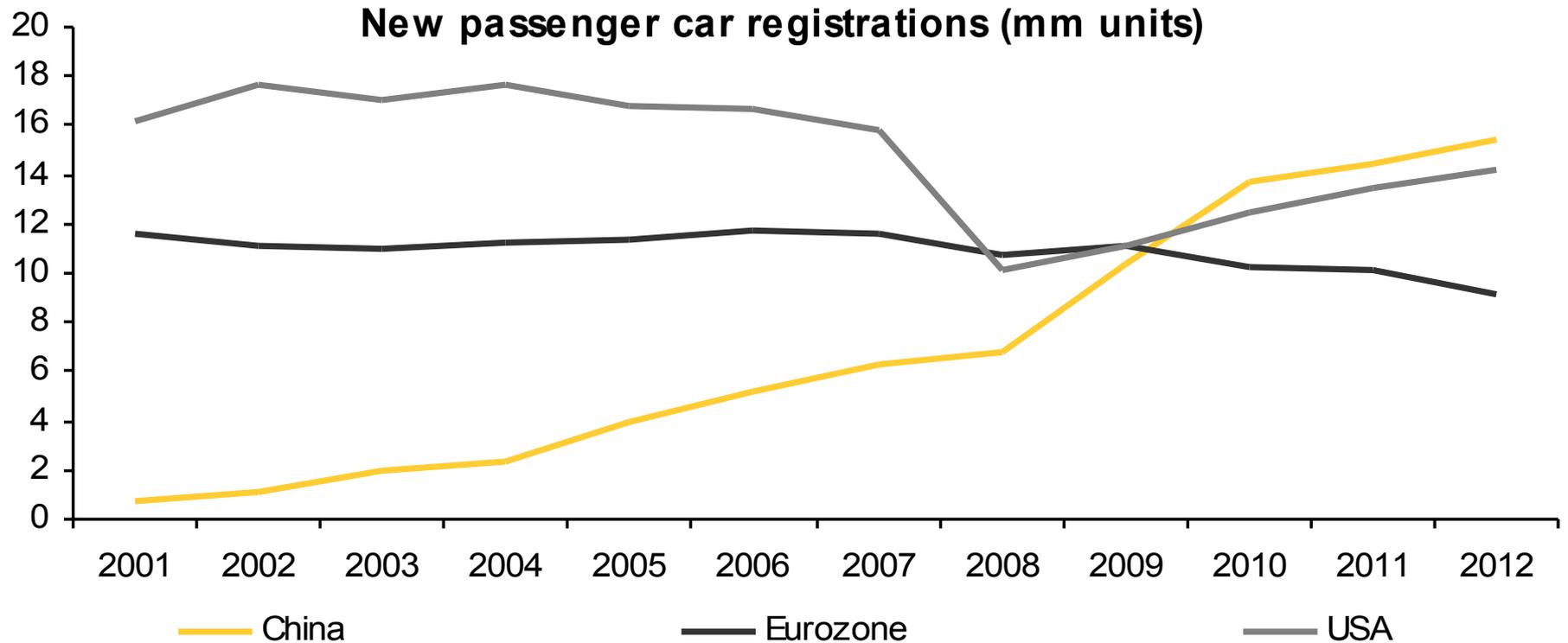
Monetary policy: who is printing at fastest?

Monetary base, index 2007=100



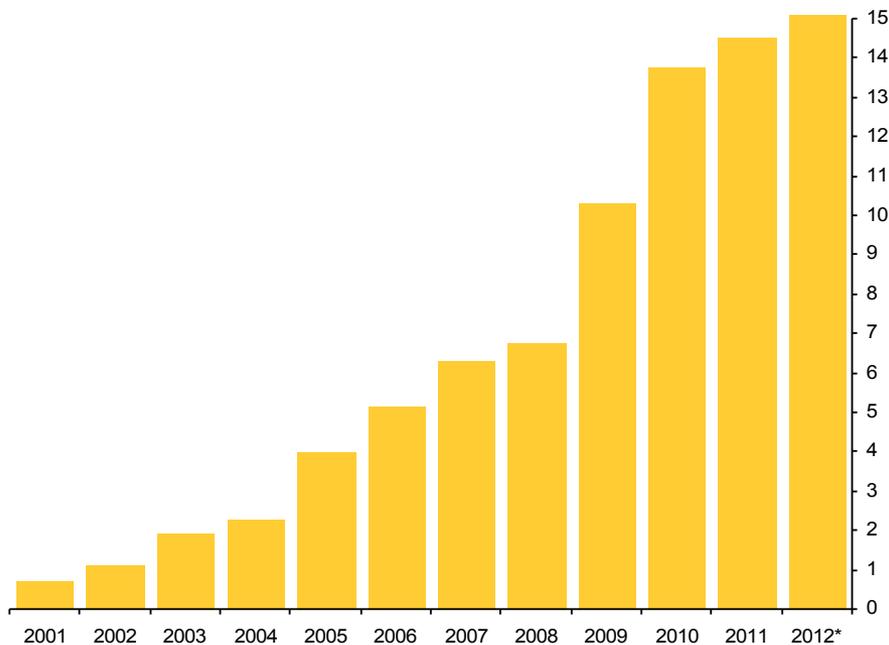
Sources: Central banks, Commerzbank Commodity Research, Bloomberg

EM demand growing at fastest with the largest price impact

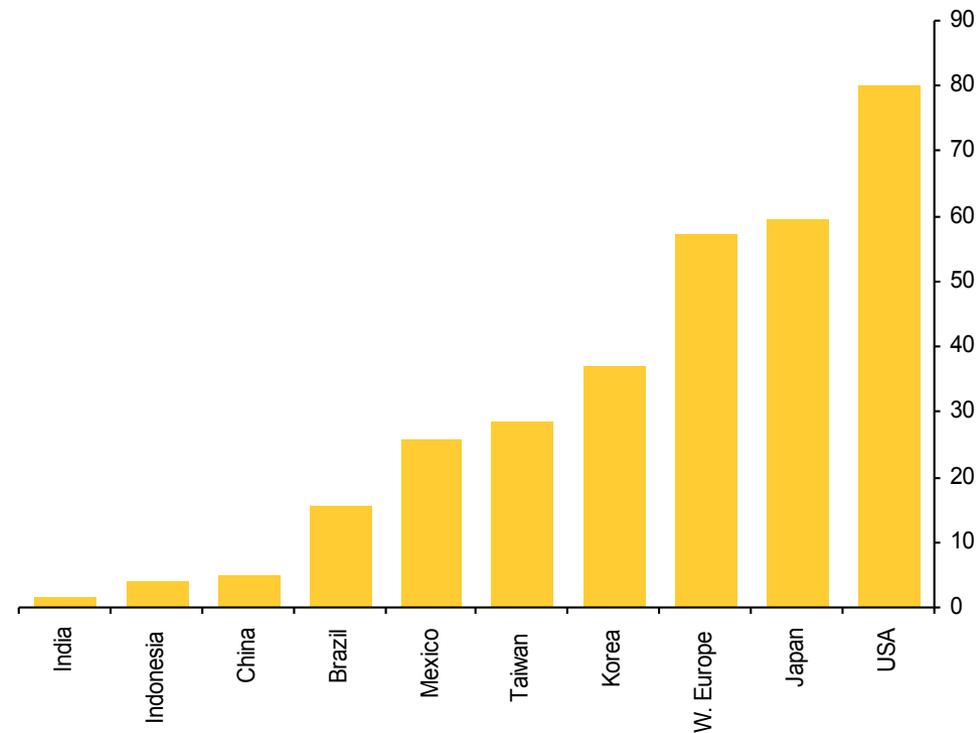


Key drivers of the growth – China and India with catch-up potential

China: passenger cars sales (m)



Number of cars per 100 inhabitants



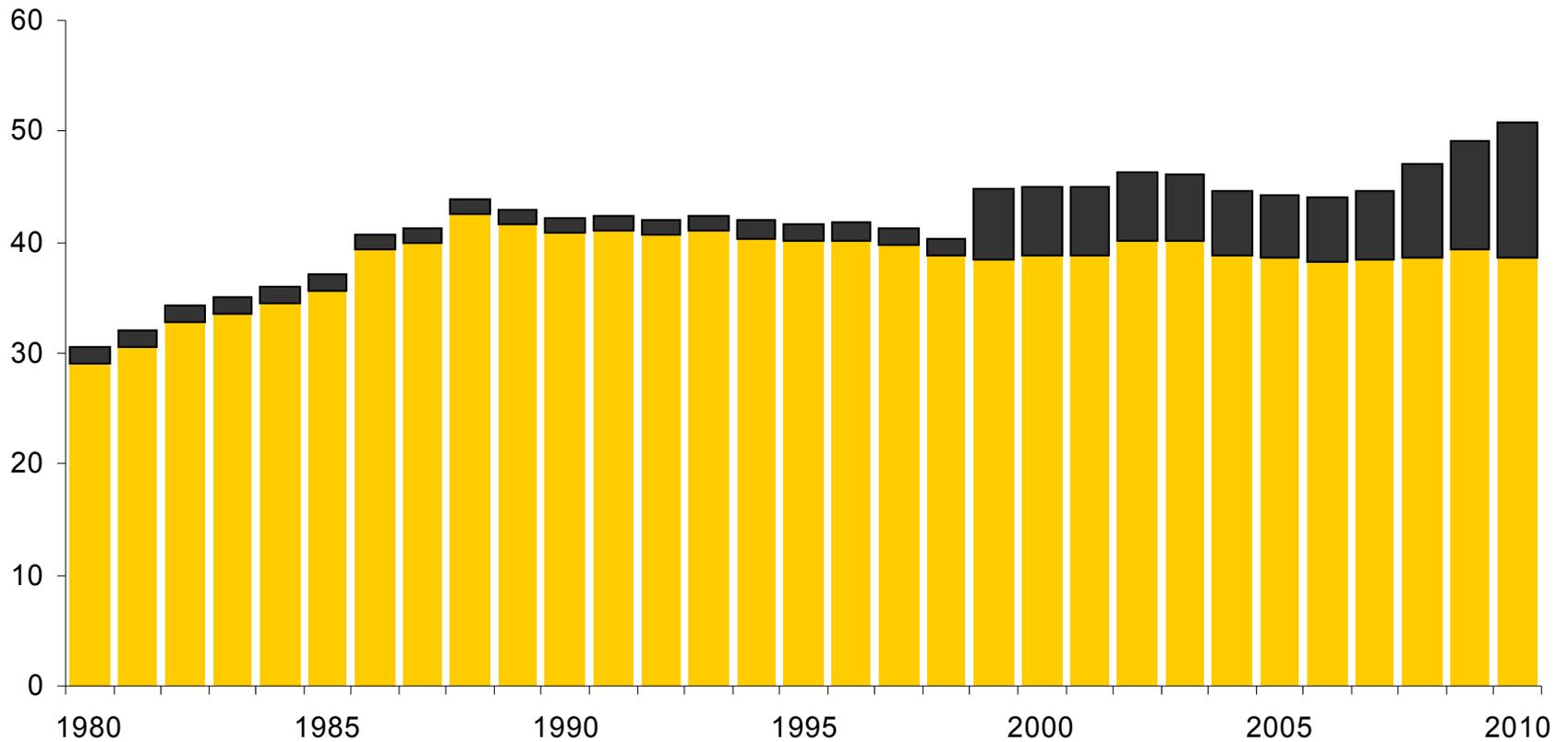
Source: China Federation of Logistics & Purchasing, National Bureau of Statistics, OECD, ACEA, CAA, Commerzbank Corporates & Markets



**Energy – revolution...
but at what price**

Theoretically the long-term supplies are not endangered...

Static resources' reach for crude oil

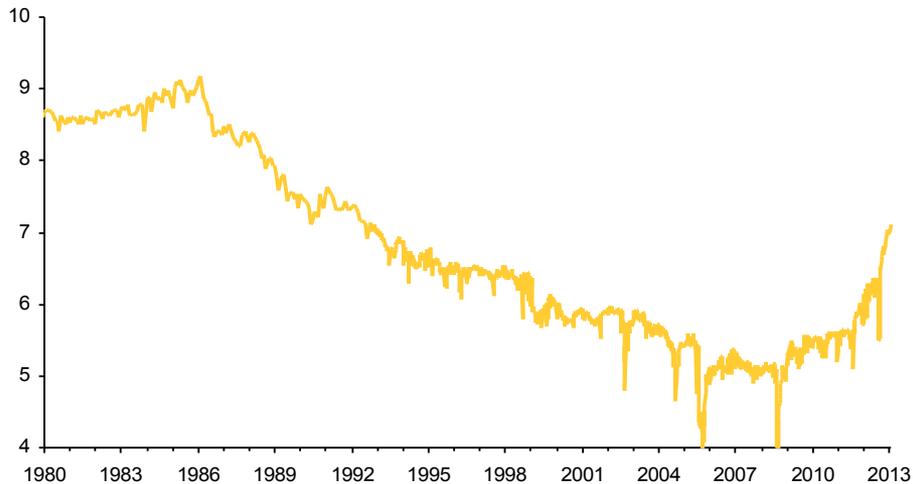


Source: BP Statistical Review

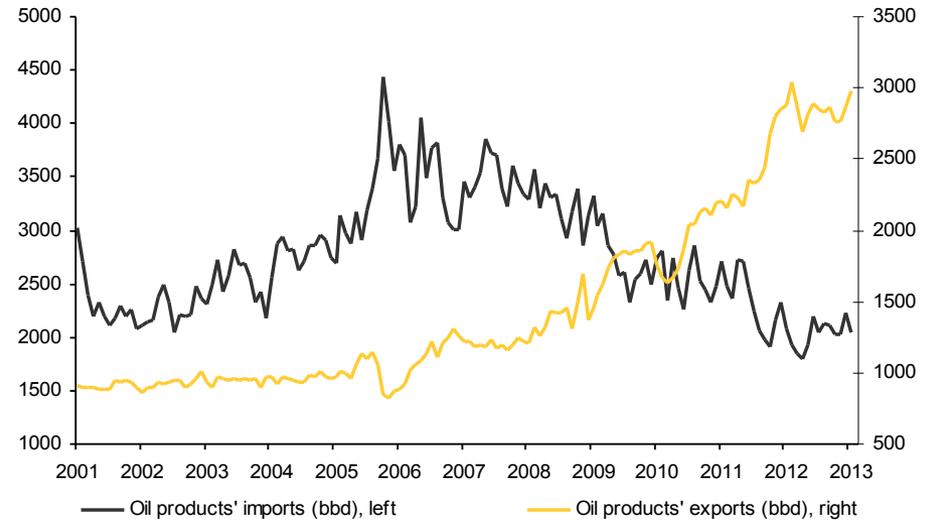
USA is on its way to becoming the world's largest oil producer (IEA)

In 2017 the USA are going to become the world's largest oil producer ahead of Russia and Saudi Arabia

Oil output USA (mbd)



US oil products' trade flows ('000 bbd)

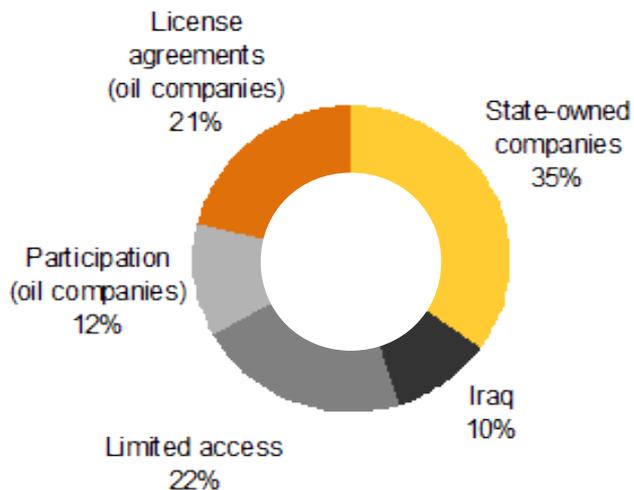


Source: Bloomberg, Commerzbank Commodity Research; Stand: Februar 2013

... but the allocation of reserves is quite uneven

The OPEC commands the largest reserves and spare capacity

- › OECD countries are the world's biggest consumers, however they don't have any significant reserves
- › Resources often found in countries with high political risks

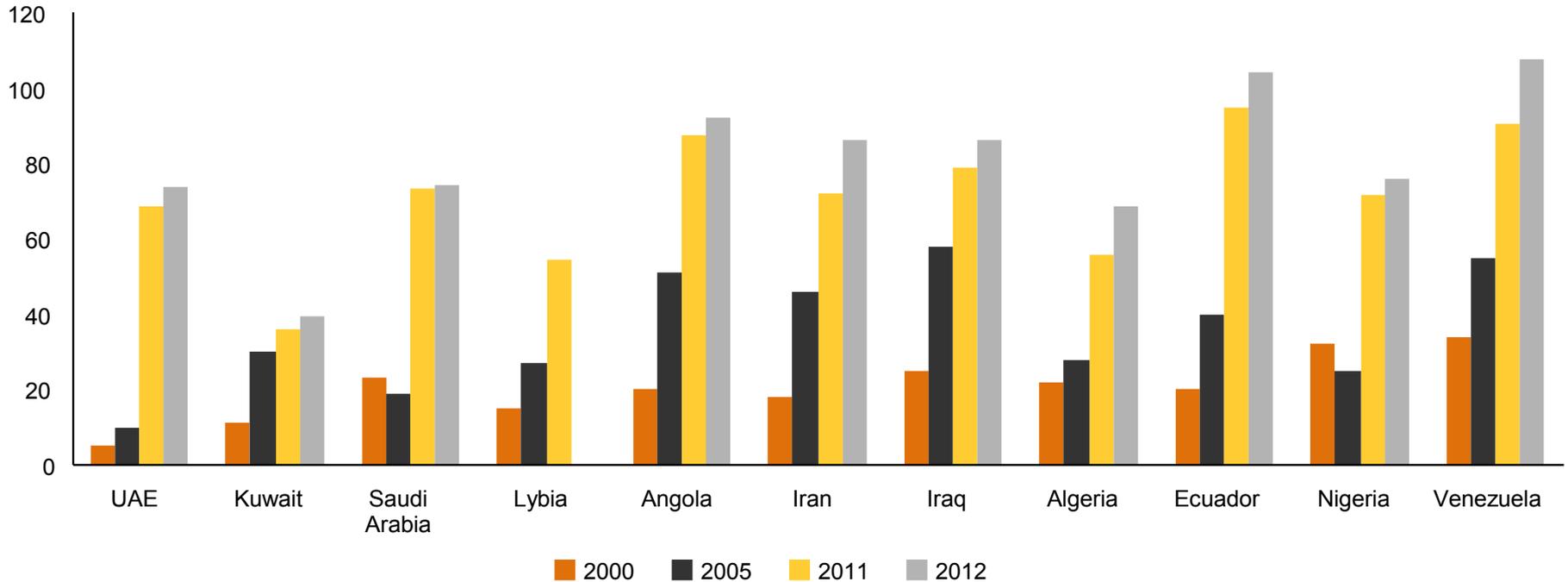


	Crude oil			Natural gas		
	Consumption	Production	Reserves	Consumption	Production	Reserves
OPEC	8%	41%	77%	14%	17%	44%
OECD	53%	22%	7%	49%	38%	9%
M. East	9%	30%	57%	12%	14%	41%
FSU	5%	17%	9%	19%	23%	31%
China	10%	5%	1%	3%	3%	1%
USA	22%	9%	2%	22%	20%	4%
Total	85	85	1333	2,9	2,9	187,5

- › International companies have limited access to reserves
- › High cost of oil production due to high political risks

OPEC is concerned about the oil price, not the production costs...

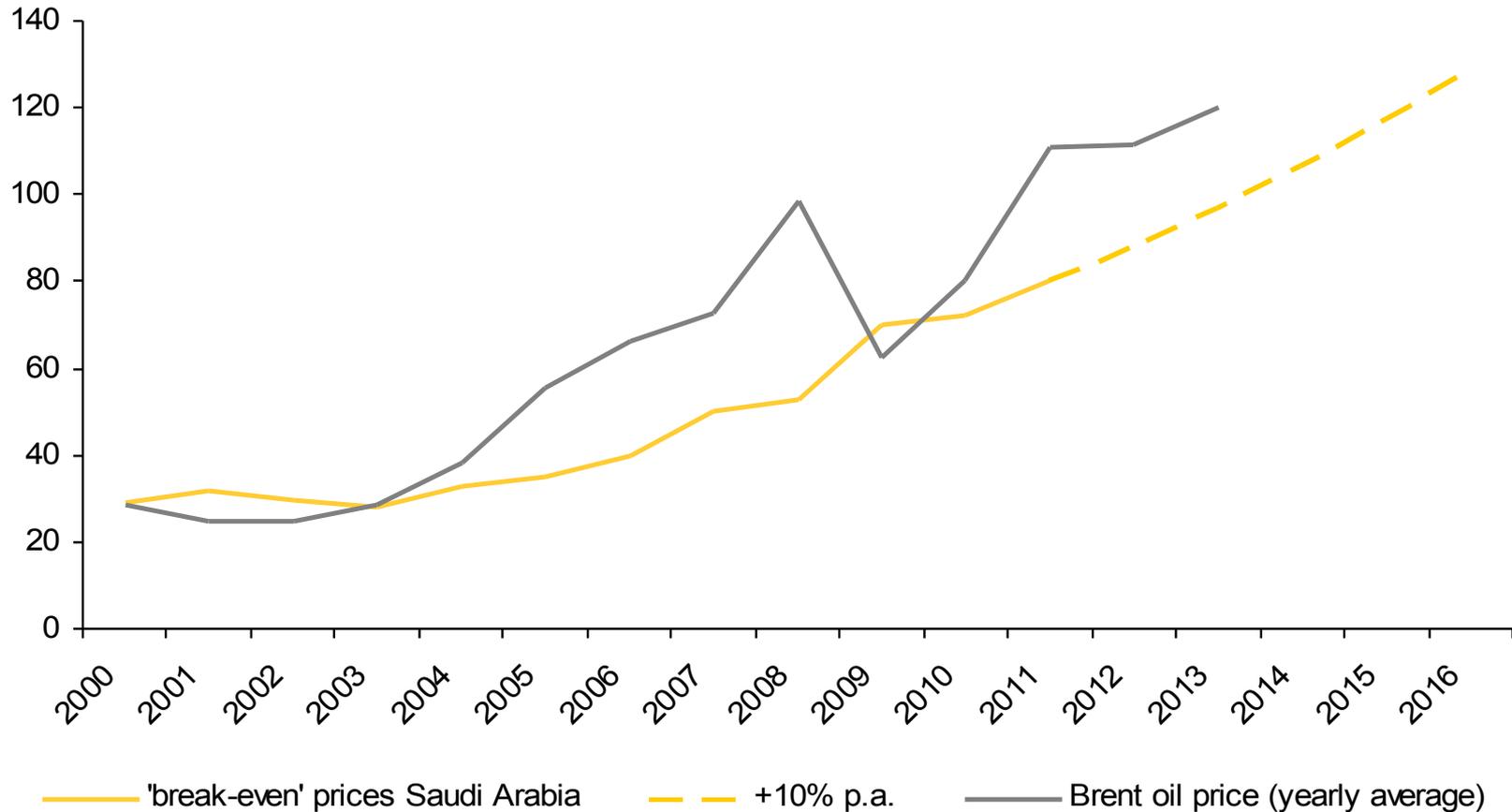
USD per barrel



**Break-even oil price necessary for balancing trade accounts.
Higher state expenses lead to higher oil prices.**

OPEC is a „tea bag“ – it only works in „hot water“

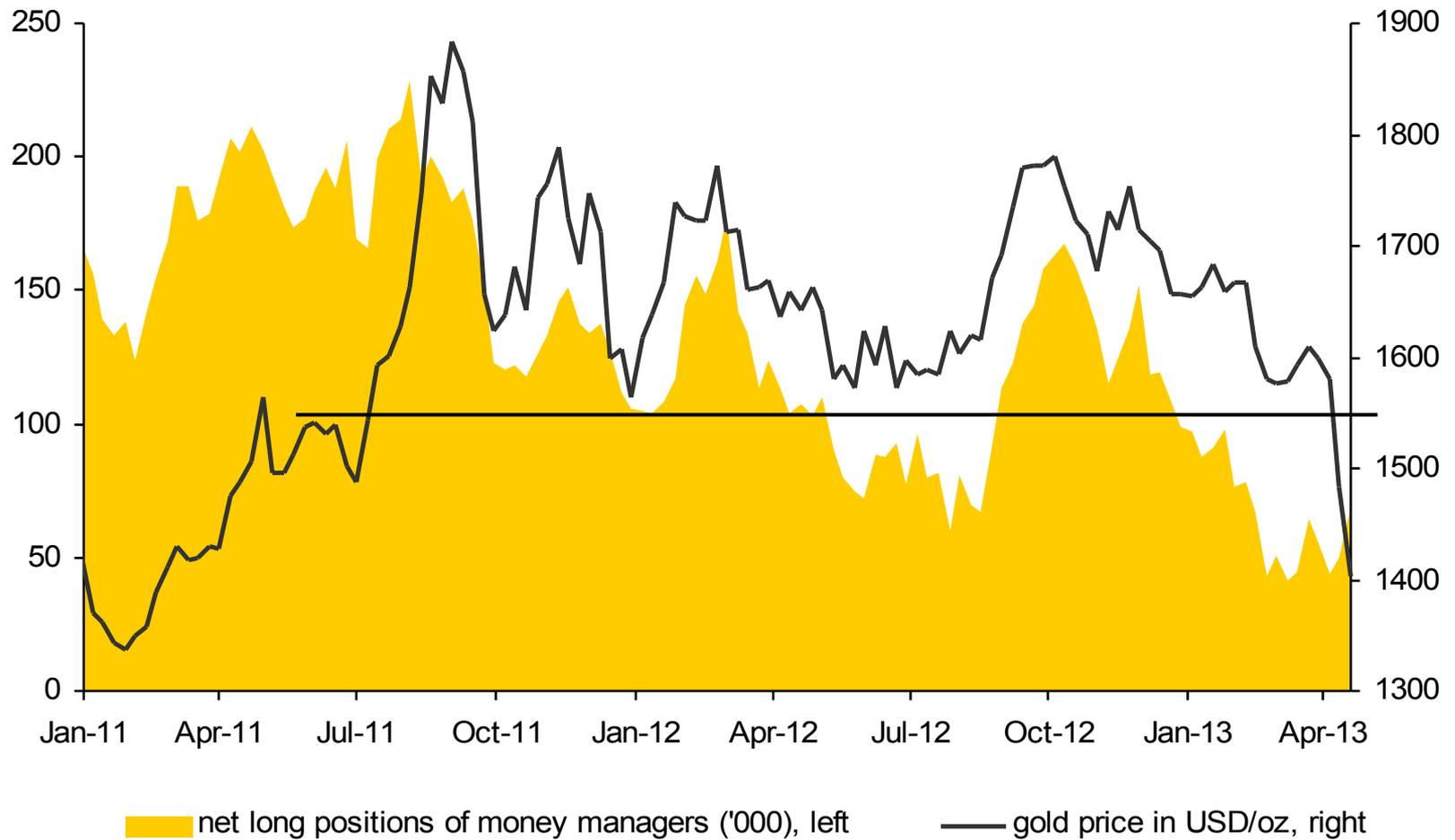
As a “swing producer” Saudi Arabia is comfortably in control of oil prices





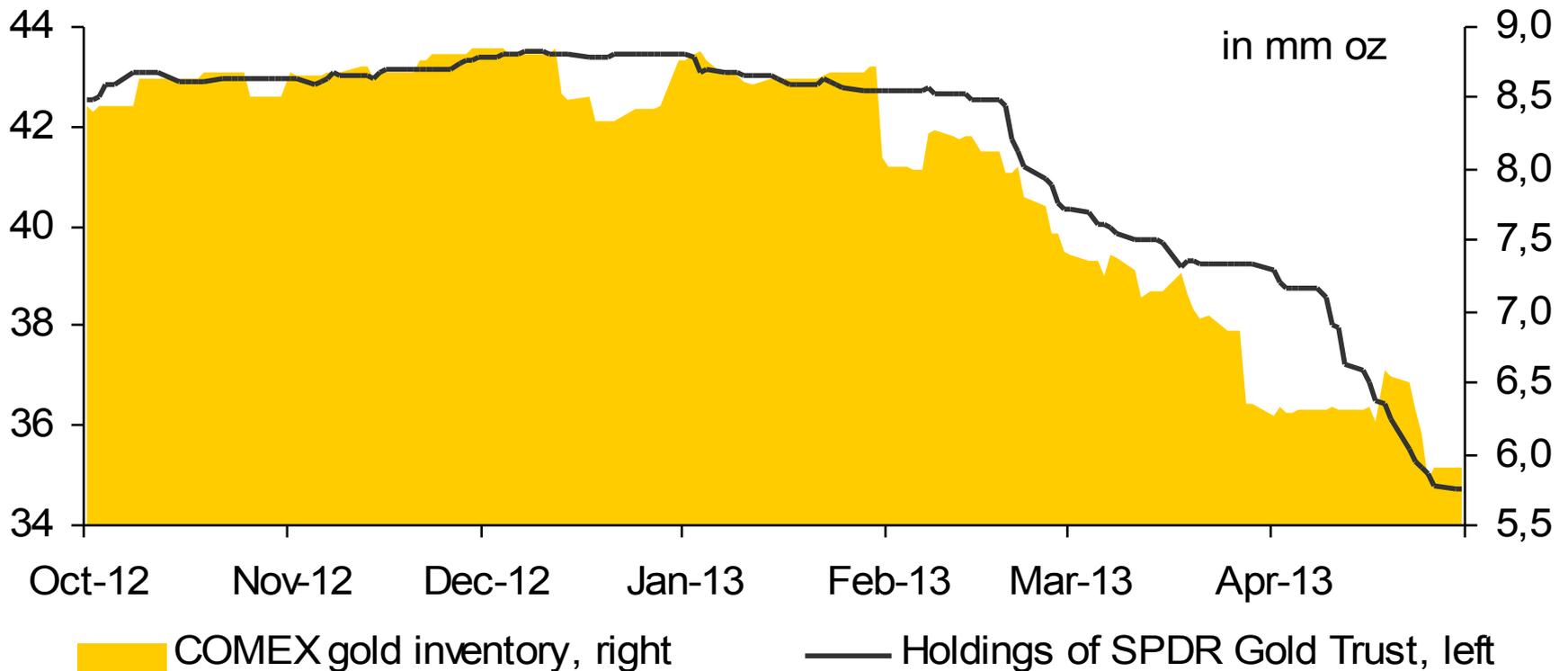
Gold: Safe haven or golden handcuffs?

Gold “crash” mainly driven by sentiment and technical selling

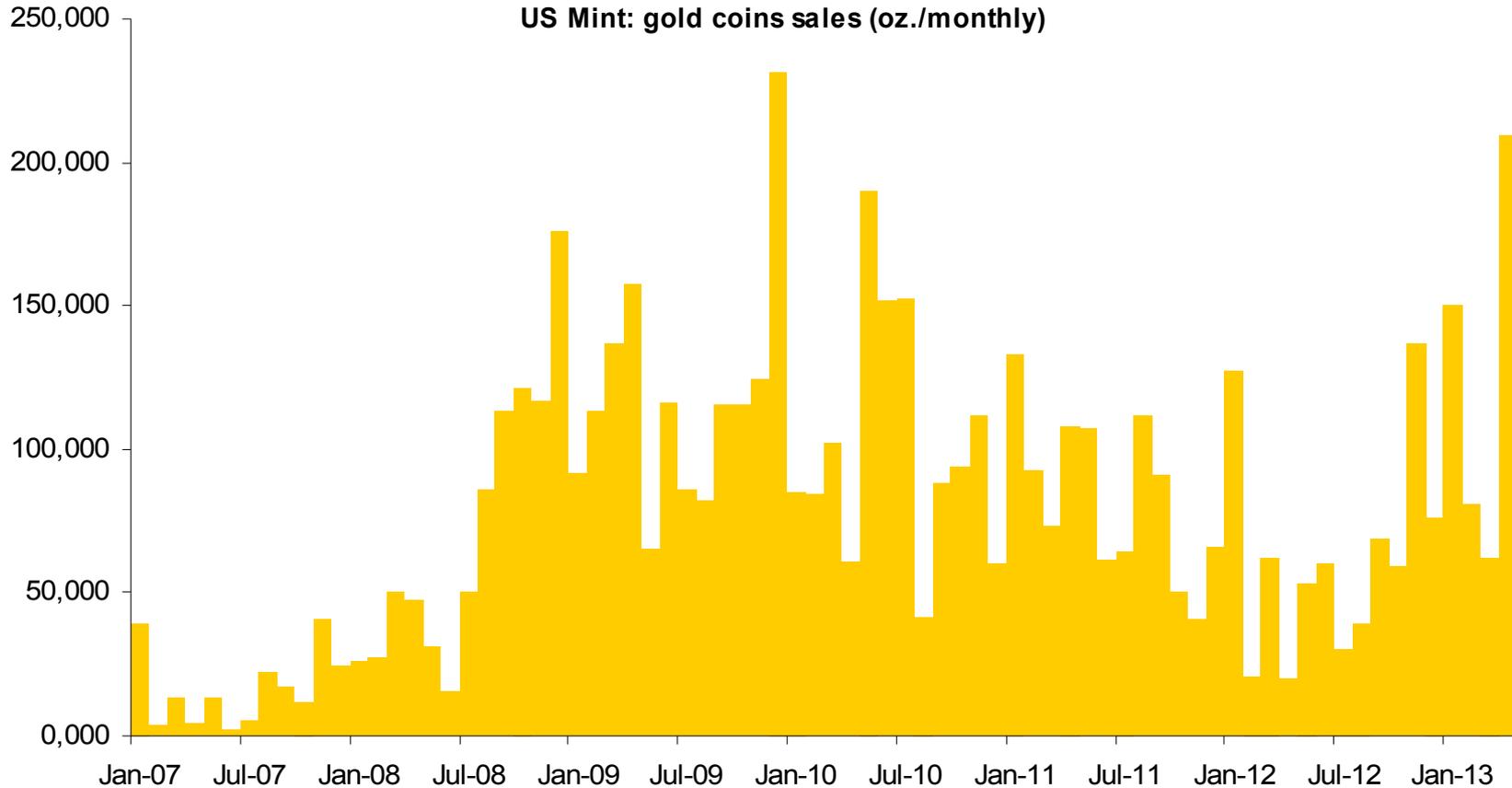


Source: CFTC, Bloomberg, Commerzbank Corporates & Markets

Gold price slump is accompanied by strong outflows from the physically-backed gold-ETFs and COMEX inventories



High physical demand for smaller bars and coins, record physical premiums for coins and bars worldwide



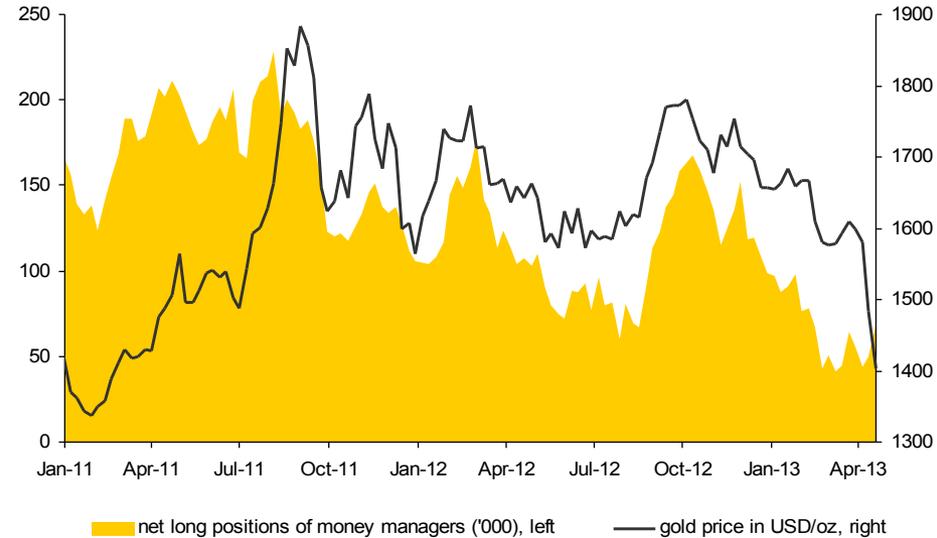
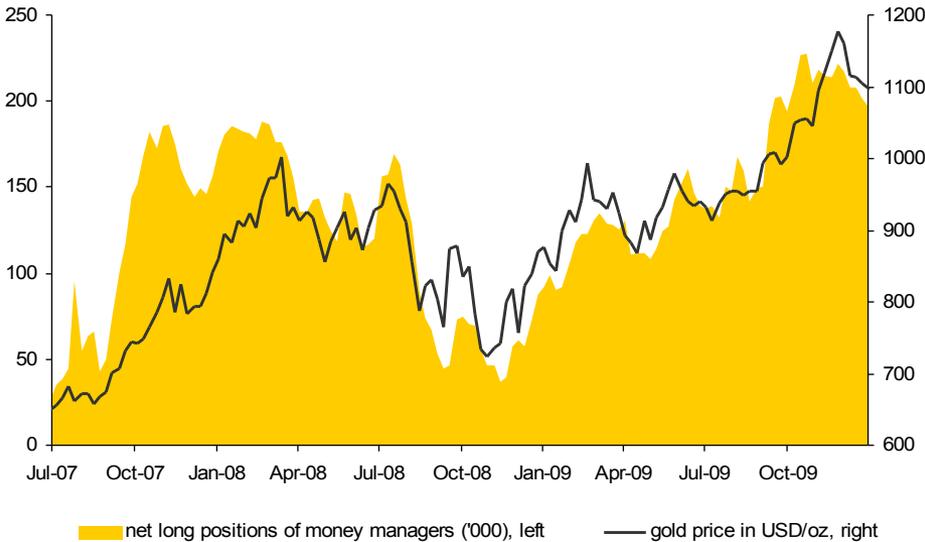
Source: US Mint, Commerzbank Commodity Research

Gold price is not a bubble (II)...

... the movement and reasoning resembles the autumn 2008 rather than 1980

2007-2009

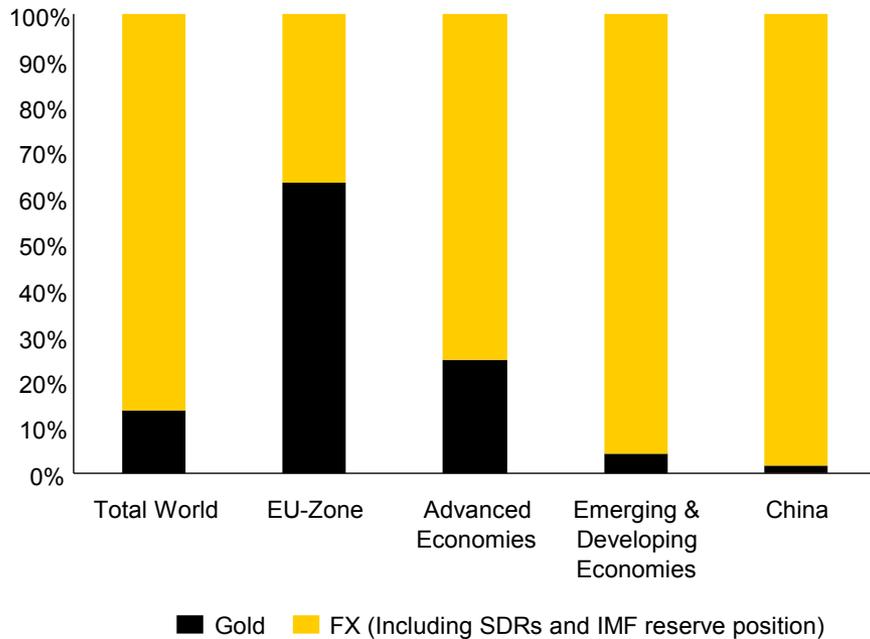
2011-2013



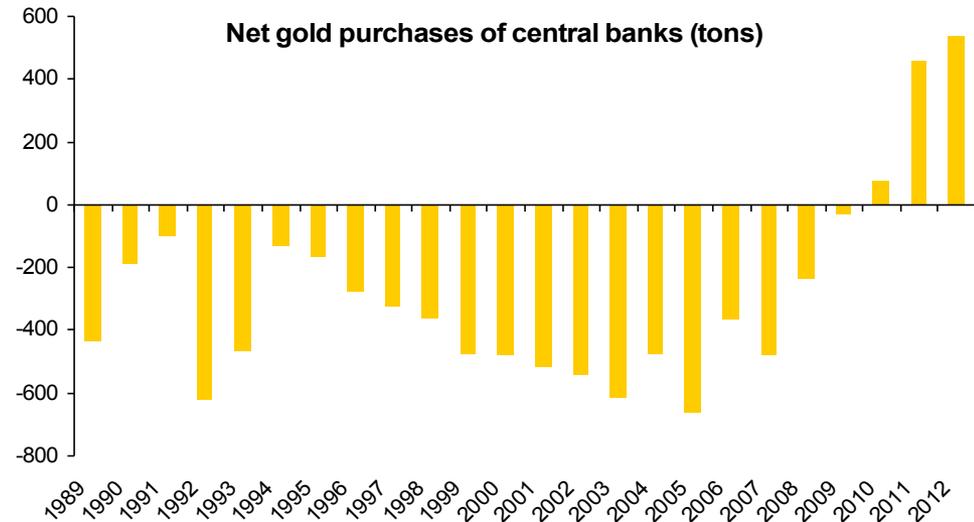
Fundamental reasons (II): Central banks' purchases...

Central banks swing to become net buyers in 2010, CBs in EMs still strongly under-invested

Gold and FX as % of total reserves



Net buying central banks (in tons)



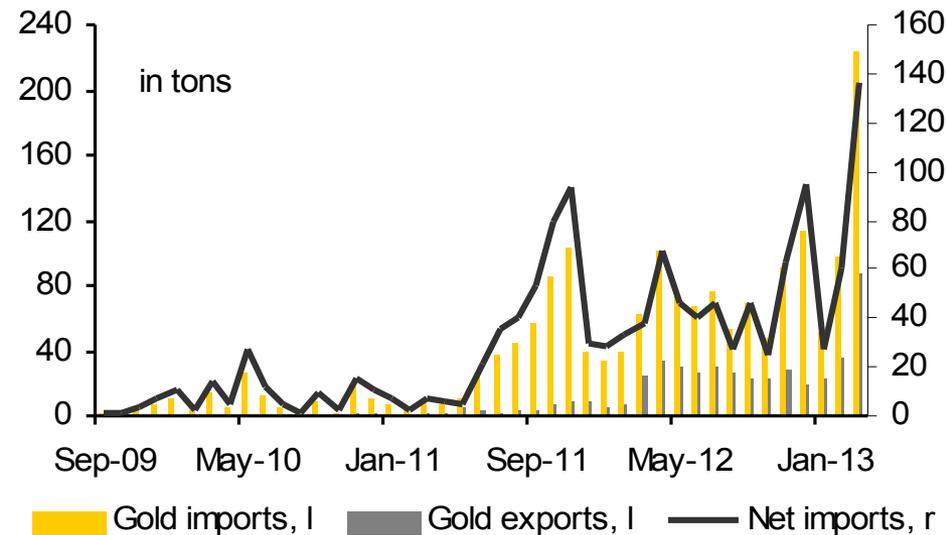
Could China invest 5% of its FX reserves in gold?

China currently has \$3,440 billion of FX reserves

China has an official gold reserve 1054 mt

- › Basis of a spot gold price of \$1500/oz , a 5% allocation would be equivalent to 3550 mt
- › Creates a net gold requirement of 2500 mt
- › Over the past 20 years, SNB made the most significant adjustment to its gold reserve with a total sale of 1550 mt
- › The SNB gold was sold in the open market over 8 years (with a break) with min of 113 mt pa and max of 283 mt pa
- › Average annual sale of 194 mt equivalent to ~16k mt pm
- › The most recent significant gold disposal has been made by the IMF which sold 403 mt over 2 years
- › 222 mt were sold by the IMF in off-market transactions to other CBs:
 - India (200 mt), Sri Lanka (10 mt), Bangladesh (10 mt)
 - 181 mt sold in the market over 11 months (~ 16k mt pm)
- › The answer to the question is yes but if the trade is to be executed in the open market it could take 13 years to complete

China vs. HK gold trade (tons)



(Super) cycle is over... Long live the cycle!

Commodities are still in long-term bull market thanks to secular factors: pent-up demand from the emerging countries, supply-side constraints, high liquidity from the central banks. However, a strong medium-term dynamics due to shorter-term business cycles.



Disclaimer

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank Corporates & Markets is the investment banking division of Commerzbank, integrating research, debt, equities, interest rates and foreign exchange. The author(s) of this report, certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The analyst(s) named on this report are not registered / qualified as research analysts with FINRA and are not subject to NASD Rule 2711.

Disclaimer

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgement of the author(s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favourable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations

Disclaimer (contd.)

Additional notes to readers in the following countries:

Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany.

United Kingdom: This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Services Authority. Details on the extent of our regulation by the Financial Services Authority are available from us on request. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.

United States: This document has been approved for distribution in the US under applicable US law by Commerz Markets LLC (“Commerz Markets”), a wholly owned subsidiary of Commerzbank AG and a US registered broker-dealer. Any securities transaction by US persons must be effected with Commerz Markets. Under applicable US law; information regarding clients of Commerz Markets may be distributed to other companies within the Commerzbank group. This report is intended for distribution in the United States solely to “institutional investors” and “major U.S. institutional investors,” as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Commerz Markets is a member of FINRA and SIPC.

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

European Economic Area: Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA.

Singapore: This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor as defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) pursuant to section 274 of the SFA.

Hong Kong: This document is furnished in Hong Kong by Commerzbank AG, Hong Kong Branch, and may only be received in Hong Kong by ‘professional investors’ within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Japan: Commerzbank AG, Tokyo Branch is responsible for the distribution of Research in Japan. Commerzbank AG, Tokyo Branch is regulated by the Japanese Financial Services Agency (FSA).

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

© Commerzbank AG 2013. All rights reserved. Version 9.14

Commerzbank Corporates & Markets

Frankfurt Commerzbank AG	London Commerzbank AG London Branch	New York Commerz Markets LLC	Singapore Branch Commerzbank AG	Hong Kong Branch Commerzbank AG
DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt	PO BOX 52715 30 Gresham Street London, EC2P 2XY	2 World Financial Center, 31st floor New York, NY 10020-1050	71 Robinson Road, #12-01 Singapore 068895	29/F, Two IFC 8 Finance Street Central Hong Kong
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000	Tel: +852 3988 0988