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**From:** Daniel Sabba [REDACTED]  
**Sent:** Wednesday, December 17, 2014 10:23 PM  
**To:** jeevacation@gmail.com  
**Subject:** Fw: DB EOD Commodities Note - 17 Dec [C]

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Jeffrey - we are close to breaking 50% in WTI short term vol.  
----- Forwarded by D=niel Sabba/db/dbcom on 12/17/2014 05:20 PM -----

From: Prateek Jain/db/dbcom@DBCOEX  
To:  
Date: 12/17/2014 04:27 PM  
Subject: DB EOD Commodities Note - 17 Dec

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Another violent day in oil today. NY wa=ked in with the market down 3% as APIs yesterday afternoon were bearish (note however there was an adjustment to APIs base so actually stats seemed more bearish than they were). However, we rallied back slowly as news of further CAPEX cuts in Canada hit the market, and we started seeing back end buying (cal 16 and z19 were bought in the AM). Stats came out bearish, yet the market rallied and a massive stop out started. At some point, WTI was up 8.8% from its lows, yet it held 59\$, and then started coming off. Post Yellen, the selloff continued as she was interpreted as Hawkish and the USD caught a large bid, bringing WTI back down to unchanged levels on the day. There was not much news out there. Angola raised its Feb loadings to 1.86M in a preliminary schedule. Also, Trafigura booked a VLCC to head east to South Korea on January 5; the last such shipment east was in Novemb=r. However, sources are saying that it is going to be put in storage that Trafi just bought there. However, along w a bid N Sea window, BRE spreads rallied. Gasoline was weak versus BRE again as the stats showed a sizeable build. Disty on the other hand in the US was bid as we got an unexpected draw as well as due to NG also heading higher due to Weather forecasts for end of December.

#### OIL VOLS

Similarly violent day in vol market as well. WTI and BRE vols opened the day stronger by a vol in the front, but flattish in the back. Both vols held their gain till DOE stats, but prompt sold off after the squeeze higher in flatprice and rallied back after the retracement. Around midday the vol curve was more or less unch. However, 30min before the close backend vols started getting bought aggressively and at one point Dec15 vols were up more than Mar15 vols were.. This ended up lifting the whole vol curve up by a vol into the settlement. There was some chatter about producer activity in backend causing the vol rally, but backend futures were bid which doesn't tie out well with producer hedging..

With 10% intraday ranges in price, and vols trading 50, it's hard to take a view and stick to it.. but I do =hink prompt vols are too rich compared to mid/back. For example CLM5 had only a slightly smaller intraday range today compared to CLH5 (8.1% vs 7.5%), but it is trading at over 6 vols discount..a gamma neutral straddle spread can be a good trade idea here to monetize the discount..

G15      49.50% &=bsp; +1.30%      47.20% +2.00%

H15	46.60% +1.20 %	44.90% +1.20%
M15	40.40% &n=sp; +0.90%	37.95% +0.95%
Z15	33.40%</=ont> +1.10% &nb=p;	31.95% +0.45%

#### BASE METALS

3m lvls	&nb=p;	dod change	support	resistance
Al \$1920	&n=sp;	=\$13.5	\$1900	\$1945
Cu \$6388.75		+\$23	\$6300	\$6530
Zn \$2145	&n=sp;	+\$6.25	\$2140	\$2200
Ni \$15,685		-\$319	\$15,9=0	\$16,300
Pb \$1887	&n=sp;	-\$33	\$1910	\$1975

The base metals complex lost ground in the am but rallied around 16:00 London. Fears of a full blown currency crisis in Russia and Oil's slide have caused investors to sell perceived risky investments such as commodities. The US is expected to make moves towards increasing interest rates which would strengthen the dollar and is likely to drop a pledge to keep interest rates near zero for a "considerable time". Russia is expected to increase the production of base metals in response to the falling Ruble as metals are sold in USD. Co=per prices followed the complex but closed up on the day. Discovery Metals LTD has announced the closure of Boseto copper mine in Botswana in the next 6 months citing low copper prices. The World Bureau of Metal Statistics (WBMS) sees a 2014 to date copper deficit of 62 kMT vs a surplus of 281 kMT in 2013. Aluminium followed the base complex but staged a rally mid afternoon to recover losses and closed higher on the day. The WBMS sees a 2014 to date aluminium deficit of 542 kMT vs a surplus of 570 kMT in 2013. Nickel prices followed the base complex closing lower on the day. The WBMS sees a 2014 to date nickel surplus of 148 kMT vs a surplus of 186.7 kMT in 2013. Zinc prices followed the base complex but recovered losses in the afternoon as asset managers were seen covering shorts. The ILZSG says that the global zinc market was in 30 kMT surplus in October but the WBMS sees a 2014 to date deficit of 261 kMT vs a surplus of 94 kMT in 2013. Lead prices followed the base complex, closing lower. The ILZSG says that the global lead market was in 10 kMT deficit in October but the WBMS sees a 2014 to date surplus of 76.1 kMT vs a deficit of 178kMT in 2013.

Shanghai Aluminium on warrant stocks are down 0.96% to 77.2 kMT. LME Aluminium on warrant stocks are down 1.05% to 1994.7 kMT. Shanghai Copper on warrant stocks are flat at 28.5 kMT. LME Copper stocks are down 3% 140.8 kMT. LME Nickel stocks are up 0.31% to 309.9 kMT.

Copper Vols are up ~0.42% in the front, ~0.73% in the back, Ali Vols down ~0.37% in the front, down ~0.26% in the back, Nickel vols are down 0.46 in the front, Lead and Zinc Vols unch

#### Upcoming Data

17/12-EC CPI YoY-Survey 0.3%, Actual 0.=%, Prior 0.3%

17/12- US MBA Mortgage Applications-Act=al -3.3%, Prior 7.3%

17/12 FOMC Rate Decision (Upper Bound)- Survey 0.25%, Prior 0.25%

17/12 FOMC Rate Decision (Lower Bound)- Survey 0%, Prior 0% 18/12-US Initial Jobless Claims- Survey 295k, Prior 294k

18/12- Markit US Composite PMI-Pr=or 56.1

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