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Sent: Wednesday, February 18, 2015 4:44 AM
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Cc: Vahe Stepanian
Subject: Fw: EOD Commodities Note - 17 Feb [C]

Classification: Confidential

Trading commentary. Implied vols lower.

From: Prateek Jain
Sent: Tuesday, February 17, 2015 04:34 PM
Subject: EOD Commodities Note - 17 Feb

OIL

The highest close in 2015 for both WTI and BRE today. In fact WTI closed above its 50 day MA for the first time since July! Overall, we sold off in the morning, which I think in part was driven by a broader commodity selloff. We then rallied 6% from the lows, again on no real news. The market internationally is definitely tightening, as Southern Iraqi exports in February remain 2M bpd below schedule, and March southern loading schedule drops 625kbd from the (lofty) Feb number. Meanwhile, the KRG exports are also struggling as Baghdad offered to pay KRG only 30% of what it had promised. Libya is also seeing renewed violence as the Islamic state there continues to bomb infrastructure. The only Libyan production still running is the 150kbd offshore, with only around 80kbd being exported. Egypt bombed Libya over the weekend and there is chatter that Italy may intervene as well. Meanwhile, the Russian/Ukraine ceasefire hasn't held up. So geopolitics creeping back...In other news, preliminary Angolan loading schedule for April were down 100kbd mom to just under 1.7M bpd. In the north sea, diffs were better offered. However, Med diffs rallied as its been at least 1 week since Libya exported any crude. In the US, news that a 200kbd CDU of Motiva went down caused USGC diffs to weaken. In products land, gasoline sold off as PBF restarted a Coker that had gone offline, thus probably leading to an overall increase in runs.

Oil Vols

	WTI (/change)	BRE (/change)
J15	50.60% -1.00%	46.10% -0.90%

M15	46.10% -0.90%	41.90% -0.90%
Z15	35.30% -0.60%	33.65% -0.60%
Z16	28.25% -0.40%	28.05% +0.00%

Base Metals

3m lvs	dod change	support	resistance
Al \$1820	-\$4.5	\$1800	\$1900
Cu \$5662.5	-\$86.5	\$5600	\$5800
Zn \$2107.5	-\$43	\$2030	\$2150
Ni \$14,200	-\$400	\$14,000	\$15,000
Pb \$1792	-\$43.5	\$1750	\$1855

The base complex is down on the talks between Greece and its creditors breaking down. Global growth fears are also being stoked by poor data coming out of China. The latest MNI China Business Sentiment Survey has fallen to 52.8 from 53.7 in Jan indicating that big business is as pessimistic as they were at the height of the global financial crisis. Sales at China's 5000 biggest retailers also fell 4.7% in Jan and property prices fell for the 9th straight month, dropping 0.3% in Jan, with new home sales slumping by 31% in Jan. Further stimulus is expected after Chinese New Year but it is unlikely to be a massive game changer. Japanese aluminum stocks held at Yokohama, Nagoya and Osaka were up 8.8% in Jan to 450 kMT, getting close to 15 year highs with rising imports as demand tapers off. Inventories are expected to fall by the end of March as companies reduce stocks in preparation for the new business year. Further concerns have been raised about the accuracy of LME stocks after a number of large cancellations of Zinc at warehouses in New Orleans. Critics of the new load in load out rules implemented by LME to reduce the merry go round problem cited for causing big queues at aluminum warehouses fear that they can be circumvented as the definition of load out includes metal being moved from one shed to another rather than only metal leaving the warehouse system. Nickel crashed through support at \$14300 and may test \$1,00 over the next few days. Indonesian tin smelters have imposed an export quota but this has been largely ignored by the market

Shanghai Aluminum on warrant stocks are flat at 80 kMT. LME Aluminum on warrant stocks are flat at 1720.9 Shanghai Copper on warrant stocks are flat at 53.2 kMT. LME Copper stocks are down 0.19% to 261.3 kMT. LME Nickel stocks are up 0.79% to 324.9 kMT.

Copper Vols are down 0.83%, Ali Vols are down 0.67%, Nickel Vols down 1.31%, Lead Vols are unch Zinc Vols are unch

Upcoming Data

17/2- EU27 New Car Registrations- Actual 6.7%, Prior 4.7%

17/2-ZEW Survey Germany Current Situation-Surv 30, Actual 45.5, prior 22.4

17/2-ZEW Survey Germany Expectations-Surv 55, Actual 53, prior 48.4

17/2 US Empire Manufacturing-Surv 8.5, Actual 7.78, Prior 9.95

Regards,

Prateek

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