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Sent: Tuesday, March 10, 2015 8:58 PM
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Subject: FW: EOD Commodities Note - 10 Mar [C]

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Prateek Jain
Sent: Tuesday, March 10, 2015 4:57 PM
Subject: EOD Commodities Note - 10 Mar

OIL

Brent continued its downward momentum today as USD strength added to the physical market weakness in the NSea.. Iraq exports were higher for first week of March, as weather normalized and the backed out crude found its way back to sea. Kuwait's OPEC governor stated that they expect Opec to make no changes to its policy in the June meeting. Qatar's former minister of energy reiterated the same thing..Brent spreads remained weak, except for the prompt spread (+0.1) which expires this week..

On our side of Atlantic, EIA raised 2015 US oil production forecast by 50kbd while lowering the demand forecast by 30kbd. Forecast for WTI was also lowered from \$55.02 to \$52.15 for 2015. Interestingly WTI spreads were trading stronger for first half of the day, but reversed the gain later on increasing production worries. Arb ended up \$0.6 today, and market positioning seems to be on the upside here..

API data just came out and WTI jumped up as data showed a draw of 400kb across US. However Cushing built 2.2m bbl, which if validated by DOE tomorrow is much more bearish than Genscape, and could take arb back below \$9.

Oil Vols

Vols took off today as both crudes came off and put skew got bid again. Jun vol spread widened to about 3%. I believe it's an attractive buy below 1.5% (buy WTI call, sell BRE call to add a synthetic long arb position along with vol view).

J15					
M15					

Z15	 	 	35.60%	+2.20%	 	=35.35%	+2.85%
Z16	 	 	27.40%	+1.75%	 	=27.55%	+1.90%

Base Metals

3m lvls	 	 	dod change	 	support	 	resistance
Al \$1765	 	=	-\$15	 	\$1750	 	= \$1800
Cu \$5765	 	=	-\$107	 	\$5700	 	\$5800
Zn \$2022	 	=	-\$20	 	\$2000	 	\$203=
Ni \$14,080	 	=	-\$425	 	\$14,000	 	\$14,350
Pb \$1813	 	=	-\$25	 	\$1750	 	\$185=

A strong dollar is responsible for the weakness in the base complex, hitting highs against the Euro and the Yen as the head of the Dallas Fed announced that they should end loose monetary policy and hike rates soon, contrasting with the ECB's quantitative easing. Copper, Nickel and Zinc supports were all broken, as the gains of recent days came off. There is expected to be a ramp up in state grid tenders from April onwards and is likely to increase demand but in the short term demand remains weak. The State Grid Corporation of China is expected to increase investment by 9% this year, last year it accounted for almost half of the 8.7 mMT Chinese copper consumption. Chinese smelters have signed the first term deal of 2015 to buy ~300kMT of blended copper concentrate from Chile's Codelco after buying the new blend on the spot to trial it last year. The Spot Treatment and Refining Charges that the smelters receive for the contract are at \$117/MT vs \$115/MT last Friday for standard concentrates last Friday. The continuing drought in Chile is keeping concerns about copper supplies high. A court order to demolish part of a dam that would close the Peambres mine is to be appealed as local demonstrators continue disrupt operations at the mine over concerns about water usage. Rusal sees Q2 aluminum premiums stabilizing due to increased industrial activity in the US EU and Asia and that a weaker rub will limit Chinese semi finished exports. Standard Chartered sees 6.7mMT/a of local smelters shutting down if premiums drop to ~\$333. Environmental legislation could cut up to 26.2 kMT of NPI in the next 4 months. Mitsui Mining and Smelting Co Ltd, Japan's biggest zinc smelter sees prices recovering to ~\$2300 in Q2 as a global deficit that is expected to last until 2017 kicks in.

Shanghai Aluminum on warrant stocks are up 1.44% to 8 kMT. LME Aluminum on warrant stocks are up 0.49% to 1766 kMT. Shanghai Copper on warrant stocks are up 2.44% to 69 kMT. LME Copper stocks are up 1.27% to 279 kMT. LME Nickel stocks are flat at 310 kMT.

Copper Vols are down 0.75%, Ali Vols are unch, Nickel Vols are up 1.5%, Lead Vols are unch Zinc Vols are unch

Upcoming Data

10/3- China CPI YoY- Surv 1%, Actual 1.4%, Pr=or 0.8%

Regards,

Prateek

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