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**Sent:** Thursday, February 5, 2015 3:28 AM  
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**Subject:** Fw: EOD Commodities Note - 4 Feb

Classification: Public

See below. Crude down 8%. This level of realized vol continues to be negative to strategy.

From: Prateek Jain  
Sent: Wednesday, February 04, 2015 04:58 PM  
Subject: EOD Commodities Note - 4 Feb

## Oil

This market is not for the feint hearted. After an astonishing 3 day rally, crude dropped like a rock today, with WTI down over 8% and BRE down 6%. The catalyst were the bearish APIs yesterday which were ratified with bearish DOEs, which showed a 6.33M build, and a total commercial stock build of 12M. That was enough to tank the market. WTI broke below 50 in a hurry and continued downwards. Cal15 arbs and boxes sold off significantly post stats, as the US continues building...It seems that USGC storage costs The market definitely is very choppy and there is a cure from the macro going on as well, as it seems that at least for the past 2 days, oil has correlated with DXY and EM ccys heavily. There is a headline out that the ECB will no longer accept greek bonds as collateral-this is pretty huge news and may be setting us up for generalized risk off tomorrow...In other news, USGC diffs rallied again, an odd move given that imports were still at decent levels in P3. In the North Sea, Forties and Ekofisk were bid (a rarity) as margins remain high. This along with the Libya worries (as Gunmen took over a closed oil field) kept BRE spreads bid in the front. In products land, gasoline tanked as stocks built unexpectedly...Distillate remained bid however, especially in Europe.

## Oil Vols

	WTI (/change)	BRE (/change)
H15	63.00% +3.10%	59.15% +2.95%
M15	51.60% +5.10%	46.80% +5.40%
Z15	37.50% +3.80%	35.40% +3.80%
Z16	27.80% +3.00%	27.75% +3.50%

## Base Metals

3m lvls	dod change	support	resistance
Al \$1878	-\$13	\$1850	\$1900
Cu \$5705	+\$15	\$5500	\$5770
Zn \$2140	-\$15	\$2100	\$2200
Ni \$15,125	-\$185	\$15,000	\$15,500
Pb \$1868	+\$18	\$1850	\$2000

The base complex was briefly boosted by Chinas central bank announcing that it is cutting it's reserve requirement in a bid to boost liquidity, however falling oil prices brought prices back down. Manufacturing PMIs showed a mixed picture with China contracting while the Eurozone, The US and India grew. Chinese copper bears are now unwinding their positions on SHFE but LME still has potential for a sharp recovery given the amount of net shorts remaining. Chinese demand for scrap copper is down, perhaps indicating slowing growth in refined copper output. Lundin Mining Corp have stepped up drilling at it's top copper mine. The Lundin family have a reputation as a counter cyclical commodities investor. Aluminium capacity growth is slowing in Europe and the US as Rusal has no plans to return it's idled plants to service regardless of the price. China however continues to add capacity.

Shanghai Aluminum on warrant stocks are up 0.12% to 55 kMT. LME Aluminum on warrant stocks are flat at 1731.6 kMT. Shanghai Copper on warrant stocks are up 0.52% to 38.3 kMT. LME Copper stocks are up 0.92% to 229.3 kMT. LME Nickel stocks are down 0.6% to 310.6 kMT.

Copper Vols are up 1.59% in the front, down 0.80% in the back , Ali Vols are up 0.57% in the front down 0.40% in the back, Nickel Vols are up 0.43%, Lead Vols are unch Zinc Vols are unch

#### Upcoming data

3/2-US Wards Total Vehicle Sales-surv 16.6m, 16.56m, Prior 16.8m

4/2-HSBC China Composite PMI-Actual 51, Prior 51.4

4/2-HSBC India Composite PMI-Actual 53.3, Prior 52.9

4/2-Markit Eurozone Composite PMI-Surv 52.3, Actual 52.7, Prior 52.3

4/2- Retail Sales YoY-Surv 2%, Actual 2.8%, Prior 1.5%, Revised 1.6%

4/2-Markit US Composite PMI-Surv 54.1, Actual 54.2, Prior 54

Regards,

Prateek

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