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Sent: Tuesday, February 3, 2015 2:50 AM
To: jeffrey E.
Cc: Vahe Stepanian
Subject: FW: EOD Commodities Note - 2 Feb [C]

Classification: Confidential

Crude trading update.<=:p>

Prateek Jain
Sent: Monday, February 02, 2015 4:32 PM
Subject: EOD Commodities Note - 2 Feb

Oil

Very interesting price action today. For those of you that wonder why flatprice rallied 3%, yes prompt spreads sold off, yet h2=15 and 2015 spreads were strong, here is my attempt at an answer. The refinery strike news on a first look was bearish US crudes. Yet we rallied flatprice wise. The reason is that we are in the midst of a giant stopout since Friday. And product prices strengthening affect worldwide margins etc and thus, BRE linked crudes got a bid from products. Gasoline/BRE cracks were up over 1\$ and HO cracks were up a similar amount; and spreads were bid as well, so this was a product strength driven rally in the cracks. I think this pulled BRE up which obviously pulled WTI up. But refinery outage specific spreads did selloff like CLH5CLM5 which is what you'd expect. There also was some producer hedging in the broker market I saw. Which explains the H2 2015 and cal16 spread rallies! But interestingly, flatprice was relentless in spite of this. This seems bullish to me. In the N SEA, the window was mixed. Forties schedule did come out and shows 426kbd, up 8=kbd. So this definitely took its toll on the prompt BRE spreads. However, we are still awaiting total BFOE numbers, and don't forget that Oseberg was down. Another interesting thing was that Iraqi Jan loadings down 300kbd to 3.6M versus Dec of 3.9. That's interesting. Iraq has set high goals for Feb exports, let's see if it can achieve 3.3M of Basrah exports (a 730kbd gain from January schedule)...

Oil Vols

The overnight rally and the big intraday move in oil brought back gamma buyers and prompt vols were well bid at the open even as crude traded unchanged for the day. And finally Brent rallied more than WTI, prompting better bids in Brent vol compared to WTI. Jun15 vol spread narrowed by 0.55 vol at the close and still looks as an attractive sell to me.. We saw a couple of big buyers on Brent Jun 55 puts.. Interestingly backend vols in WTI stayed soft.. we saw a few atm call rolls go through, specifically in WTI Z5/Z6 with interest in buying Z5 vol vs Z6..

 WTI (/change) BRE (/change)=/span>

H15 = 58.20% +1.50% 52.75% = +6.20%

M15 = 45.50% +0.65% = 39.70% +1.20%

Z15 = 32.80% -0.25% = 32.40% +0.35%

Z16 = 24.25% -0.40% = 23.50% +0.30%

Base Metals

3m lvls = tod change support = resistance

Al \$1872 = +\$8 = \$1850 = \$1900

Cu \$5500 = +\$5 = \$5400 = \$5500

Zn \$2124 = -\$1 = \$2100 = \$2200

Ni \$15,260 = +\$95 = \$15,000 = \$15,500

Pb \$1850 = -\$9.5 = \$1850 = \$2000

The base complex started the day under pressure from weak PMI data from China over the weekend but rallied at 10:30 due to a spike in the oil price. Speculators are hoping that the weak Chinese PM data will induce some stimulus from Beijing. Positive news from Europe was overshadowed by concerns over Greece. Hedge funds and money managers increased their bearish positions on copper to a 4 month high leaving the market exposed to a potentially large short covering rally if better news starts coming out of China (especially news on stimulus). The IAI (International Aluminum Institute) has stopped reporting on global aluminum stocks as they do not consider the data to be an accurate reflection of inventories. Sumitomo Metal Mining Co, Japan's biggest nickel producer expects a deficit in 2015 as ore stockpiles in China run out towards the middle of the year

Shanghai Aluminum on warrant stocks are down 1.12% to 54.8 kMT. LME Aluminum on warrant stocks are flat at 1731.6 kMT. Shanghai Copper on warrant stocks are down 0.26% to 37.6 kMT. LME Copper stocks are up 0.86% to 226.9 kMT. LME Nickel stocks are up 0.39% to 313.6 kMT.

Copper Vols are unch, Al Vols are down 0.56%, Nickel Vols are down 0.54%, Lead Vols are unch Zinc Vols are unch

Upcoming data

01/2/15-Chinese Manufacturing PMI- Surv 50.2, Actual 49.8, Prior 50.1

02/2/15-HSBC Chinese Manufacturing PMI- Surv 49.8= Actual 49.7, Prior 49.8

02/2/15-Markit Eurozone Manufacturing PMI- Surv 51, Actual 51, Prior 51

2/2/15-US Personal Income- Surv 0.2%, Actual 0.3%= Prior 0.4%, Revised 0.3%

2/2/15-US Personal spending- Surv -0.2%, Actual -.3%, Prior 0.6%, Revised 0.5%

2/2/15- Markit US Manufacturing PMI- Surv 53.7, Actual 53.9, Prior 53.7

Regards,

Prateek

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