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**Sent:** Tuesday, January 13, 2015 9:32 PM  
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**Subject:** Fw: EOD Commodities Note - 13 Jan

Classification: Public

crude oil trading commentary below.

Implied vols in WTI today.

	WTI (/change)
H15 (Mar15)	=8.70% +1.40%
M15 (Jun15)	=2.20% +1.45%
Z15 (Dec15)	= 36.15% +0.55%

----- Forwarded by Daniel Sabba/db/dbcom on 01/13/2015 04:30 PM -----

From: Stavros Valavanis/db/dbcom@DBCOEX  
To:  
Date: 01/13/2015 04:04 PM  
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OIL

Interesting day in crude today. NY walk=d in to a market down 4%, yet both crudes rallied during the NY day. WTI rallied much more and the arb traded positive at some point in the day. I think the arb could probably trade as high as +2 as Feb WAF crudes are going to have to discount heavily to find a home given the strong loading programs of Azeri, FSU, and N Sea...I think that if the arb remains str=ng over next few weeks, it may be time to sell WTI boxes in the m/u 15 region. Prompt WTI spreads were also quite bid as BP Whiting restarted operations. News wise, 12 VLCCs have apparently been booked to store circa 25M bbls of crude. Furthermore, 4M bbls of N SEA crude are heading to S Korea this month. This put a small bid in prompt BRE spreads, but not nearly as much as one would have assumed. The EIA STEO came out; 201In products land, distillate was weaker as BP whiting returned, yet gasoline rallied yet again...

Oil Vols

Oil vols were stronger today in cal15, especially the more prompt ones, as we broke the 46 support level overnight. Interestingly, H2 2016 vols sold off a bit. We saw interest in upside call buying in H1 2015 WTI as well as ATM put selling. Interestingly, earlier in the morning, circa 17K (9k OTC, 8K on screen) 35\$ clh5 puts were bought. We think there is good value in buying a Z6 65/72 call spread versus selling a 40 put (currently zero cost-ish) as a bullish flatprice/short vega play betting that more deferred crude prices may rally back a bit.

	WTI (/change)	BRE (/change)
H15	48.70% +1.40%	47.10% +2.85%

M15	42.20%	+1.45%	40.30%	=/font>+1.05%
Z15	36.15%	+0.55%	34.30%	+0.45%
Z16	28.85%	-0.25%	28.75%	-0.15%

## Base Metals

3m lvs	dod	change	support	resistance
Al \$1795.25	&n=sp;	-\$14.75	\$1775	\$1800 </=ont>
Cu \$5851.25	&n=sp;	-\$168.75	\$5800	\$6000
Zn \$2085.5	&nb=p;	-\$53.5	\$2080	\$2125
Ni \$14,666	&nb=p;	-\$439	\$14,500	\$15,000
Pb \$1829.75	&n=sp;	-\$37.25	\$1815	\$1900

The base complex is down significantly today with most of the losses occurring in the morning. The losses in oil have spurred Chinese hedge fund selling of copper. Volumes are growing on the LME as Chinese players such as GF Financial, Bank of China and China Merchant Services enter the space left by western banks. Copper lead the base complex down and did not recover to the same extent in the afternoon. It crashed through support at \$6,000 at around 06:00. The 90th percentile for copper the level where 10% of producers are in the red is expected to be around \$5660 which could be a key support for the metal. December Chinese imports are up 7.4% but this is due to the state stockpiler the SRB were seen buying in this period so it is unlikely to be all down to physical demand. Chinese demand is expected to rise in January as looser credit conditions kick in but the period immediately after Chinese new year is traditionally a time of low demand for copper and could expose further weakness in the market. Railway workers have begun a strike on a key copper shipping line between Zambia and Tanzania. Aluminium followed the complex down in the morning breaking support at \$1800 and getting as low as \$1772 but recovered in the afternoon. Over capacity in China is likely to increase the shipment of aluminium products overseas, easing the supply deficit in the west. In December exports of aluminium and aluminium products rose from 390 kMT to 540 kMT. Chinese producers are being forced to keep running in order to service debt despite AZ China estimating that over half of China's capacity is operating at a loss. Alco Inc expect the auto and aerospace sectors to support Aluminium, increasing demand by 7% in 2015. Nickel was firmer in the morning but broke support at \$15,000 around 10:30 and traded down to \$14,800 before noon and then came off again for the close. Zinc crashed off at around 10:30, recovered slightly and dropped again at the close. Lead traded down during the morning then stabilised around 11:30. Lead traded volumes have quadrupled in 2014 to 2.92mn lots as HKEx attracted more interest in its Yuan denominated "mini" contracts.

Shanghai Aluminium on warrant stocks are up 1.947% to 46 kMT. LME Aluminium on warrant stocks are flat at 1839.8 kMT. Shanghai Copper on warrant stocks are up 16.48% to 39.3 kMT. LME Copper stocks are up 2.47% to 167 kMT. LME Nickel stocks are up 0.46% to 326.2 kMT.

Copper Vols are up 1%, Ali Vols are unch, Nickel Vols are unch, Lead and Zinc Vols unch

## Upcoming Data

13/1- China Trade Balance- Surv \$49bn, Actual \$49.61bn, Prior \$54.47bn, Revised \$54.48bn

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