

MARKET TO CONTINUE DOWNTREND THIS WEEK

25 JANUARY 2010

IN-FOCUS THIS WEEK

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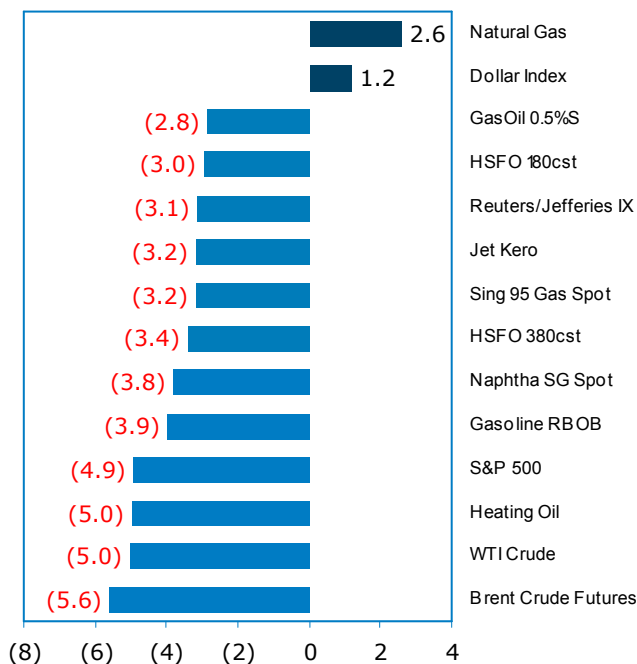
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• **Crude Oil price** is likely to continue its retreat this week, as pressures persist from the US Administration’s proposal for stricter rules to limit bank’s trading activities announced last Thursday and China’s tightening policy. In addition, potential liquidation of speculative long positions may further weigh on crude oil price. We mentioned in our note last week that speculative traders have been increasing their net long positions by over 80,000 contracts, implying that funds may be caught on the wrong side of the market. However, funds have only liquidated a tenth of long position contracts, and the bearish selling flow remains. DOE data could disappoint for another week, given weak refining margins and low refinery runs. Nevertheless, the oil price may be supported by 4Q09 US GDP statistics to be released this Friday. Headline numbers are likely to be robust which may be a positive for oil prices.
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• **Light Distillates:** Sentiment for naphtha has been mixed, on the back of tight prompt supplies and easing demand ahead of cracker maintenance. Jet fuel and kerosene are likely to weaken if temperatures remain mild in North Asia.
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• **Middle Distillates:** Sentiment for Asian gasoil is likely to improve on the back of regional demand. Regional gasoil sentiment rallied after a week of stronger cash deals and tenders from India. India refiners are seeking ultra-low-sulfur diesel ahead of a government directive to start supplying cleaner fuel to 11 major cities by 1 April. Sentiment for Asian fuel oil is likely to strengthen due to tighter regional supply, prompted by higher freight rates and weakening arbitrage economics.

Figure 1: Weekly % price performance



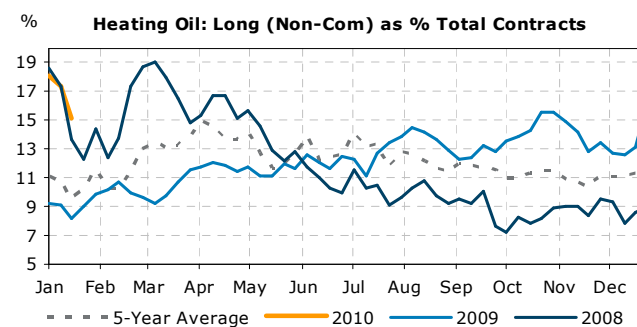
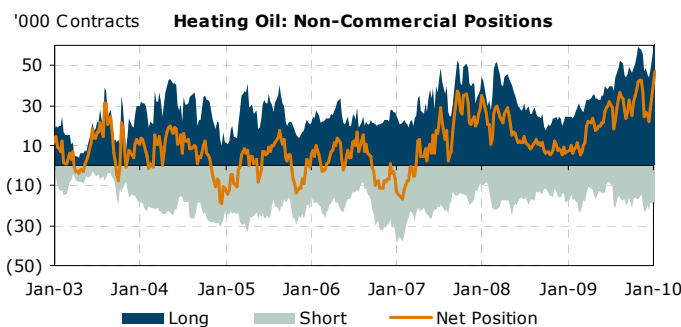
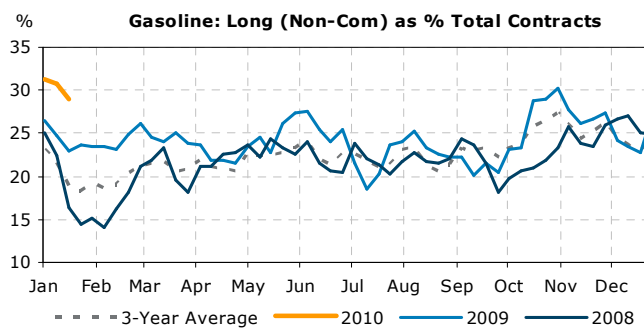
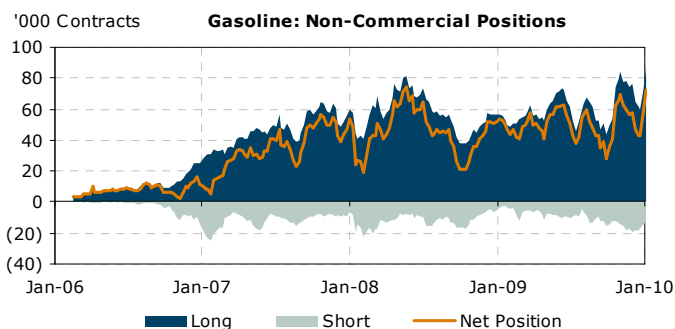
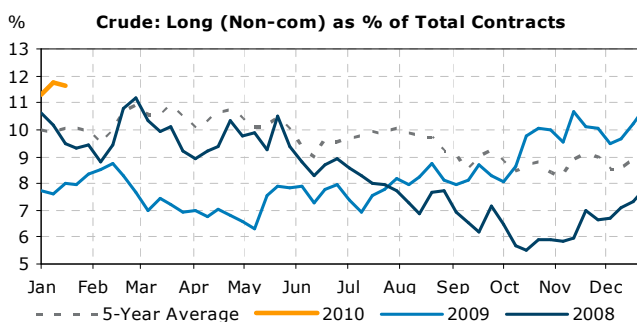
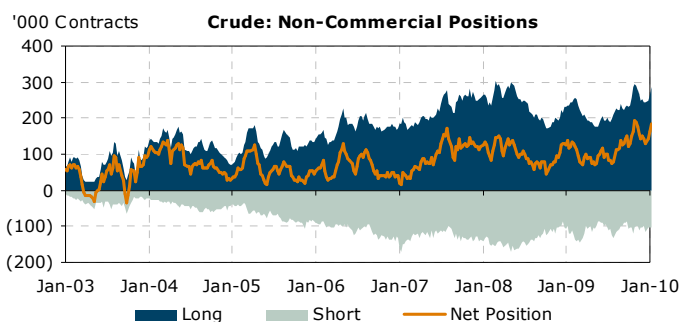
Source: Bloomberg

CFTC WEEKLY – SPECULATIVE TRADERS TURNED SELLERS ON ALL BETS

Crude Oil – Last week, we highlighted that speculators may begin to unwind their long positions as crude oil price trended down. The CFTC crude oil data for week ended 19 January showed Futures-and-Options-Combined open interest contracts declining by 47,038 to 2,540,116. However, speculative traders liquidated only 9,053 long contracts and we continue to opine that these non-commercial traders were rather bullish. Should oil price continue to remain unsupported, we caution a risk of bearish selling flow. Cumulative net long positions declined by 1,981 contracts to 206,752, representing 11.6% of total open interest – the highest level reached since July 06. Downside risk may come from ongoing concerns after the US Administration called for stricter rules to limit bank’s trading activities last Thursday, putting pressure on CFTC to take tougher action.

Gasoline - CFTC’s Gasoline (RBOB) data showed Future-and-Options-Combined open interest increasing by 9,996 to 305,153 contracts. Speculative traders were sellers last week, liquidating 2,384 long position contracts. While cumulative net long position declined by 2,432 contracts to 72,767, the percentage of long position to open interest is still at the upper level of historical range. The gasoline market continues to be overbought, and the flow of selling is bearish.

Heating Oil - CFTC’s heating oil data showed Future-and-Options-Combined open interest declining by 20,146 to 363,780 contracts. Speculative traders turned sellers, as warmer winter renewed ongoing concerns about abundant supplies. Speculative traders liquidated 11,450 long contracts while short covering 1,294 short contracts. This resulted in a net selling position of 10,156 contracts, bringing the cumulative net long position down to 35,681 contracts.



SOURCE: BLOOMBERG, CFTC



CFTC DATA

CRUDE OIL	Spot	1 Wk	1 Mth	6 Mth	12 Mth	
			actual change			
Non Commercial (mil contracts)						
Long positions	295.2	(9.1)	49.0	96.6	53.3	
Short positions	88.5	(7.1)	(14.5)	(37.5)	(30.6)	
Net position	206.8	(2.0)	63.5	134.1	83.9	
Commercial (mil contracts)						
Long positions	1,356.4	3.7	17.8	(99.0)	(177.5)	
Short positions	1,583.0	8.2	90.0	44.5	(62.1)	
Net position	(226.6)	(4.5)	(72.3)	(143.5)	(115.4)	
Non reportable (mil contracts)						
Long positions	88.1	(4.9)	7.5	4.9	(4.4)	
Short positions	68.3	(11.4)	(1.3)	(4.5)	(35.8)	
Net position	19.8	6.5	8.7	9.4	31.4	
Open interest (mil contracts)	2,540.1	(47.0)	37.7	(82.1)	(478.5)	

GASOLINE	Spot	1 Wk	1 Mth	6 Mth	12 Mth	
			actual change			
Non Commercial (mil contracts)						
Long positions	88.2	(2.4)	28.4	36.6	35.7	
Short positions	15.5	0.0	(2.0)	5.8	12.8	
Net position	72.8	(2.4)	30.4	30.9	22.9	
Commercial (mil contracts)						
Long positions	154.1	10.8	1.2	10.8	33.2	
Short positions	235.1	8.2	37.8	49.7	59.4	
Net position	-80.9	2.7	-36.7	-38.9	-26.2	
Non reportable (mil contracts)						
Long positions	21.9	(3.9)	6.5	4.8	1.0	
Short positions	13.8	(3.7)	0.2	(3.2)	(2.3)	
Net position	8.2	(0.2)	6.3	8.0	3.4	
Open interest (mil contracts)	305.2	10.0	33.1	51.3	76.8	

HEATING OIL	Spot	1 Wk	1 Mth	6 Mth	12 Mth	
			actual change			
Non Commercial (mil contracts)						
Long positions	55.2	(11.5)	8.3	11.1	31.7	
Short positions	19.5	(1.3)	1.0	(2.0)	2.0	
Net position	35.7	(10.2)	7.3	13.0	29.7	
Commercial (mil contracts)						
Long positions	199.9	(2.9)	(9.6)	(3.1)	35.2	
Short positions	251.5	(17.6)	1.5	19.8	70.0	
Net position	(51.6)	14.7	(11.0)	(22.8)	(34.8)	
Non reportable (mil contracts)						
Long positions	43.7	(6.8)	(2.6)	2.9	3.6	
Short positions	27.8	(2.3)	(6.3)	(7.0)	(1.6)	
Net position	15.9	(4.6)	3.8	9.8	5.1	
Open interest (mil contracts)	363.8	(20.1)	35.3	17.1	77.1	

CRUDE OIL	1 Wk	1 Mth	6 Mth	12 Mth	5-Yr Ave
	% change				mil contracts
Non Commercial					
Long positions	(3.0)	19.9	48.7	22.0	188.9
Short positions	(7.4)	(14.1)	(29.8)	(25.7)	107.5
Net position	(0.9)	44.4	184.6	68.3	81.4
Commercial					
Long positions	0.3	1.3	(6.8)	(11.6)	1,154.5
Short positions	0.5	6.0	2.9	(3.8)	1,231.9
Net position	2.0	46.8	172.7	103.8	(77.4)
Non reportable					
Long positions	(5.2)	9.2	5.9	(4.7)	86.1
Short positions	(14.3)	(1.8)	(6.2)	(34.4)	90.1
Net position	48.8	78.7	89.8	(270.6)	(4.0)
Open interest	(1.8)	1.5	(3.1)	(15.9)	2,135.0

GASOLINE	1 Wk	1 Mth	6 Mth	12 Mth	3-Yr Ave
	% Change				mil contracts
Non Commercial					
Long positions	(2.6)	47.4	71.0	67.9	42.4
Short positions	0.3	(11.3)	59.2	482.6	15.0
Net position	(3.2)	71.6	73.7	45.9	27.4
Commercial					
Long positions	7.6	0.8	7.6	27.4	130.0
Short positions	3.6	19.2	26.8	33.8	161.4
Net position	-3.2	82.8	92.4	48.0	226.1
Non reportable					
Long positions	(15.1)	41.7	27.9	4.9	22.3
Short positions	(21.2)	1.1	(18.8)	(14.5)	18.4
Net position	(2.6)	337.8	4,172.8	70.2	4.0
Open interest	3.4	12.2	20.2	33.6	226.1

HEATING OIL	1 Wk	1 Mth	6 Mth	12 Mth	5-Yr Ave
	% Change				mil contracts
Non Commercial					
Long positions	(17.2)	17.6	25.1	134.7	22.7
Short positions	(6.2)	5.4	(9.1)	11.6	20.9
Net position	(22.2)	25.6	57.5	492.6	1.8
Commercial					
Long positions	(1.4)	(4.6)	(1.5)	21.3	135.7
Short positions	(6.5)	0.6	8.5	38.5	140.6
Net position	(22.2)	27.2	79.5	207.6	(4.8)
Non reportable					
Long positions	(13.5)	(5.6)	7.0	8.9	34.8
Short positions	(7.5)	(18.5)	(20.0)	(5.4)	31.7
Net position	(22.3)	31.0	161.5	47.9	3.1
Open interest	(5.2)	10.8	4.9	26.9	237.1

NOTE: CLOSING PRICES AT 19 JANUARY 2010. **SOURCES:** BLOOMBERG, CFTC

ANZ COMMODITY PRICE FORECASTS

COMMODITY	Unit	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
BASE METALS														
Aluminium	US\$/lb	1.00	1.07	1.00	0.96	0.95	0.97	1.00	1.02	1.03	0.99	0.95	0.93	0.92
Copper	US\$/lb	3.33	3.65	3.50	3.30	3.25	3.40	3.55	3.70	3.80	3.60	3.40	3.30	3.10
Nickel	US\$/lb	8.37	9.00	8.70	8.20	8.00	8.30	8.70	9.00	9.20	8.85	8.50	8.20	8.00
Zinc	US\$/lb	1.15	1.20	1.15	1.10	1.05	1.10	1.15	1.18	1.20	1.17	1.13	1.10	1.05
Lead	US\$/lb	1.09	1.18	1.14	1.08	1.05	1.10	1.14	1.17	1.19	1.16	1.12	1.08	1.03
Tin	US\$/lb	7.65	8.00	7.80	7.60	7.50	7.70	8.00	8.15	8.30	8.00	7.70	7.40	7.10
PRECIOUS METALS														
Gold	US\$/oz	1,097	1,220	1,250	1,190	1,160	1,130	1,080	1,050	1,000	960	950	930	900
Platinum	US\$/oz	1,466	1,605	1,623	1,526	1,506	1,487	1,403	1,364	1,282	1,215	1,203	1,163	1,125
Palladium	US\$/oz	408	446	439	401	396	381	360	350	329	320	316	306	304
Silver	US\$/oz	16.9	18.8	19.5	18.6	18.4	17.9	17.1	16.7	15.9	15.2	15.1	14.8	14.3
ENERGY														
WTI NYMEX	US\$/bbl	79.4	85.0	90.0	90.0	95.0	100.0	105.0	110.0	110.0	108.0	105.0	102.0	100.0
Brent IPE	US\$/bbl	77.2	84.2	89.5	90.0	95.3	100.5	105.7	110.8	110.8	108.9	105.9	102.9	101.0
Uranium	US\$/lb	44.5	46.0	48.0	50.0	52.0	55.0	55.0	58.0	60.0	63.0	65.0	65.0	60.0
BULKS¹														
Thermal coal	US\$/t	70.0	70.0	95.0	95.0	95.0	95.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0
Premium hard coking	US\$/t	128.0	128.0	180.0	180.0	180.0	180.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Hard coking	US\$/t	110.0	110.0	160.0	160.0	160.0	160.0	175.0	175.0	175.0	175.0	175.0	175.0	175.0
Semi-soft coking coal	US\$/t	85.0	85.0	120.0	120.0	120.0	120.0	140.0	140.0	140.0	140.0	140.0	140.0	140.0
Iron ore lump	US\$/dltu	112.0	112.0	156.8	156.8	156.8	156.8	188.2	188.2	188.2	188.2	188.2	188.2	188.2
Iron ore fines	US\$/dltu	97.0	97.0	135.8	135.8	135.8	135.8	163.0	163.0	163.0	163.0	163.0	163.0	163.0
Thermal coal	% YoY	-	-	36	-	-	-	16	-	-	-	0	-	-
Premium hard coking	% YoY	-	-	41	-	-	-	11	-	-	-	0	-	-
Hard coking	% YoY	-	-	45	-	-	-	9	-	-	-	0	-	-
Semi-soft coking coal	% YoY	-	-	41	-	-	-	17	-	-	-	0	-	-
Iron ore lump	% YoY	-	-	40	-	-	-	20	-	-	-	0	-	-
Iron ore fines	% YoY	-	-	40	-	-	-	20	-	-	-	0	-	-
OTHER METALS														
Alumina	US\$/t	305	354	320	302	299	310	313	315	313	301	283	277	277
Molybdenum	US\$/lb	12.1	15.0	14.0	15.0	15.5	16.0	16.6	17.3	17.8	18.0	17.6	17.2	17.2
Cobalt	US\$/lb	20.5	21.0	20.0	19.5	20.0	21.0	22.0	23.0	23.0	23.0	23.0	22.5	22.5
EXCHANGE RATES														
AUD/USD	US\$	0.90	0.94	0.96	0.92	0.90	0.87	0.85	0.84	0.82	0.80	0.78	0.77	0.77
NZD/USD	US\$	0.73	0.72	0.73	0.71	0.70	0.68	0.67	0.66	0.65	0.64	0.63	0.62	0.62
EUR/USD	US\$	1.43	1.46	1.48	1.43	1.41	1.40	1.38	1.36	1.35	1.35	1.33	1.32	1.30
USD/JPY	¥	93.1	91.0	88.0	90.0	92.0	94.0	95.0	97.0	99.0	100.0	100.0	101.0	102.0
USD/CAD	C\$	1.05	1.04	1.02	1.04	1.05	1.06	1.07	1.09	1.11	1.12	1.14	1.14	1.14

Note: Average quarterly prices. **Source:** ANZ

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