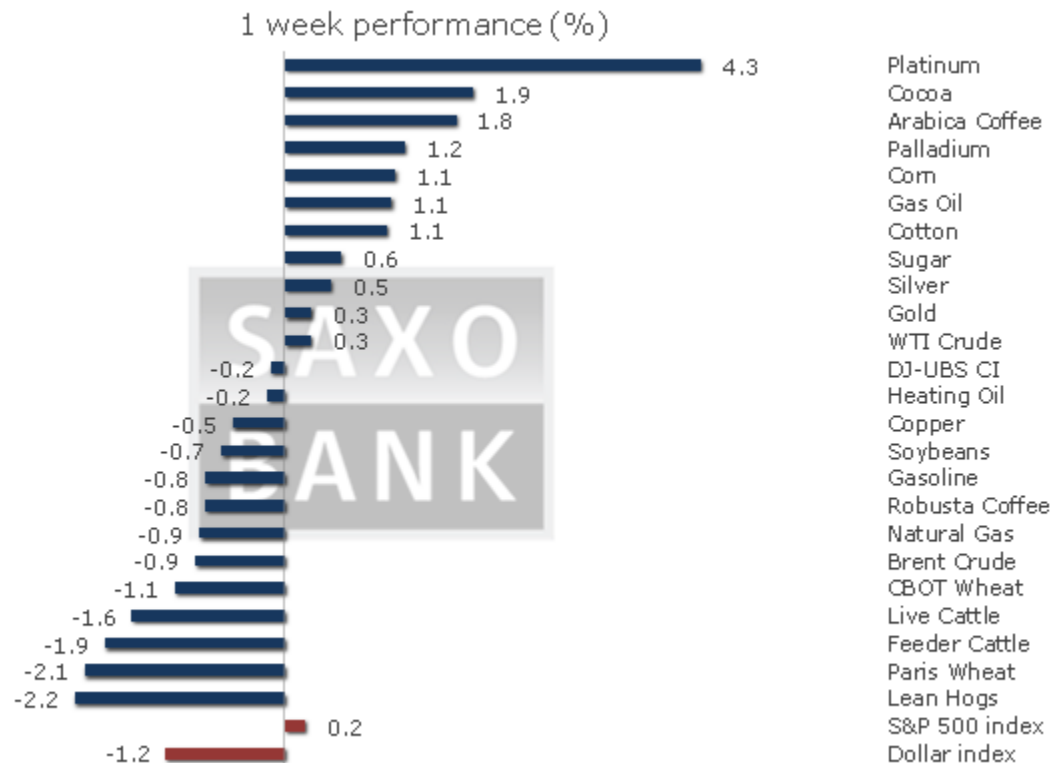


### Commodities not finding much traction despite USD weakness

Commodities continued to show weakness into the second week of 2013 despite rising stock markets and a falling US dollar. Investors are generally in a positive mood at this time of year, but so far this sentiment has only been seen in equities with global stocks rising to their highest level in 19 months. The USD rally seen during the first week quickly faded and the EURUSD has now returned to the top of its current range. However, so far this has failed to lift commodities. Chinese economic data, though, did help support prices as exports jumped by 14 percent in December, thereby potentially confirming a rebound in the global economy.

Precious metals continued their tentative recovery amid the USD weakening on news that China's appetite for gold remains strong. The price of oil meanwhile, is stuck between supports from improved economic data and a well-supplied market that led Saudi Arabia to cut its December output to its lowest in 19 months, according to one source. In addition, US oil imports have dropped to their lowest level in 25 years because of increased domestic production.

Some of the excitement caused by the Chinese trade data were somewhat scuppered late in the week when Chinese inflation data for December jumped by more than had been expected. A rise in inflation could restrict the government's ability to stimulate growth further. This could potentially reduce demand for raw materials from the country that accounts for a large proportion of demand growth for many commodities including soybeans, oil and copper.



Source: Bloomberg and Saxo Bank Strategy & Research

**Gold receiving a boost from weak USD and physical demand**

Following nervous trading during the first week that saw gold trade down to late August levels, the yellow metal spent the second week trying to recover. The 200-day moving average at 1662 that held it back for a few days was eventually broken. However, the lack of any follow-through momentum indicates the need for additional consolidation before a potential upside attempt towards critical resistance at 1710 can be initiated. Measured in EUR, gold is still performing very poorly and before we see a pick up in this cross further upside looks difficult to achieve. But at the time of writing gold is on track for its first positive week following its longest weekly losing streak since 2004.

As the effects of the gold-negative December minutes from the Federal Open Market Committee (FOMC) begin to fade, gold has received some support. This came especially from the weaker USD but also from news of increased physical buying from China and India, the world's two largest buyers of actual gold. Chinese demand is expected to pick up ahead of the Lunar New Year on 10 February while Indian demand has risen with traders stocking up ahead of an expected rise in gold import taxes which could be raised to help limit the country's trade deficit.

Money managers halved their net-long position during the last quarter and have ample room therefore to rebuild position once they feel the technical and/or fundamental picture improves. Investors in Exchange Traded Products have stayed much more resilient and have only scaled back their holdings by a mere 13 tons out of total holdings of 2619, according to Bloomberg. Although we are not out of the woods yet in terms of the risk of additional price weakness, the belief is that we should see some further upside potential especially as real interest rates remains negative and in that US forward inflation expectations have moved higher since late November.

Technically, the levels to look out for are first of all whether gold can manage to consolidate above its 200-day moving average at 1662 USD/oz. After this, attention will turn to resistance at the 2 January high at 1694.8 USD/oz. before the most important level at 1710.7, which is a combination of a trend-line from the October high together with a 50 percent retracement. Critical support can be found at 1625 USD/oz.



Spot Gold – Source: Bloomberg

**Crude oil staring at a potential correction**

Brent crude eased back from a near three-month high this week as focus switched from investor demand driven by rising stock markets and a generally friendly investment environment to news that Saudi Arabia had cut its December production while US imports fell to their lowest level in 25 years. Reduced Saudi production results in a higher level of spare capacity which can be used to meet future supply disruptions while lower US imports means that more oil is available in the global system for those countries, especially emerging economies, where demand is growing.

When Chinese inflation rises by more than expected it reduces the government's ability to promote growth. With China currently expected to represent almost half of this year's increase in global oil demand growth, any changes to these projections could help trigger an oversupply scenario which could ultimately lead to lower prices.

Money managers held a net-long position on 1 January which was only exceeded in March last year when worries about the impact of Iranian sanctions saw Brent crude oil trade above 123 USD/barrel. Such an elevated position size at a time of limited upside potential could eventually help trigger a setback in prices. We expect the trading range of between 105 USD/barrel and 115 USD/barrel that has prevailed for some time now to continue. But we also see a short-term risk of the price dropping back towards the lower end, which is good news for non dollar-based consumers because the dollar is falling at the same time.



*Brent Crude Oil cont. – Source: Bloomberg*

**NON-INDEPENDENT INVESTMENT RESEARCH**

This investment research has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further it is not subject to any prohibition on dealing ahead of the dissemination of investment research. Saxo Bank, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein.

None of the information contained herein constitutes an offer (or solicitation of an offer) to buy or sell any currency, product or financial instrument, to make any investment, or to participate in any particular trading strategy. This material is produced for marketing and/or informational purposes only and Saxo Bank A/S and its owners, subsidiaries and affiliates whether acting directly or through branch offices ("Saxo Bank") make no representation or warranty, and assume no liability, for the accuracy or completeness of the information provided herein. In providing this material Saxo Bank has not taken into account any particular recipient's investment objectives, special investment goals, financial situation, and specific needs and demands and nothing herein is intended as a recommendation for any recipient to invest or divest in a particular manner and Saxo Bank assumes no liability for any recipient sustaining a loss from trading in accordance with a perceived recommendation. All investments entail a risk and may result in both profits and losses. In particular investments in leveraged products, such as but not limited to foreign exchange, derivatives and commodities can be very speculative and profits and losses may fluctuate both violently and rapidly. Speculative trading is not suitable for all investors and all recipients should carefully consider their financial situation and consult financial advisor(s) in order to understand the risks involved and ensure the suitability of their situation prior to making any investment, divestment or entering into any transaction. Any mentioning herein, if any, of any risk may not be, and should not be considered to be, neither a comprehensive disclosure or risks nor a comprehensive description such risks. Any expression of opinion may be personal to the author and may not reflect the opinion of Saxo Bank and all expressions of opinion are subject to change without notice (neither prior nor subsequent).

**Futures** contracts are traded on margin enabling you to leverage a small margin deposit for a much greater market effect. You will be required to deposit initial margin to initiate a position. You must also maintain the Maintenance Margins listed per contract in your account at all times. If the funds in an account fall below this margin, clients will be subject to a margin call to either deposit more funds to cover positions or close positions. You will usually be notified of this through our trading platform and via e-mail. If you fail to do so as required, your position may be closed or liquidated.

Saxo Bank does not support physical delivery of the underlying security on expiry of a futures contract. You should ensure that you are aware of the expiry and first notice dates (**FND**) of any futures contracts and that you close these at the appropriate time. If the FND is before the expiry date, positions need to be closed the day before the FND. If the expiry date is before the FND positions need to be closed no later than on the expiry date. If futures positions are not closed before the relevant date, Saxo Bank will close the position on your behalf at the first available opportunity at the prevailing market rate. You will bear any resulting costs, gains or losses. Our Futures do not provide any right to the underlying instruments.

In certain cases, our, Futures are over-the-counter (**OTC**) instrument. Each Future trade that you enter into on our trading service results in you entering a contract with us; these contracts can only be closed with us and are not transferable to any other person.

This means that you may be exposed to the risk of our default. In this unlikely event, we are members of the Danish Financial Services Compensation Scheme.

The following risks relevant to any investment in this product:

- There may be significant fluctuations in the market or index underlying this investment that may give rise to losses;
- Investment will involve exposure to foreign currency exchanges rates which may move unfavourably and give rise to losses;
- This investment is based on an underlying [instrument / index / market / etc.] that is potentially unpredictable and volatile.
- There may be a sudden shift in the price of an underlying from one level to another and substantial losses may result from such movements in the underlying.
- In setting prices and contract terms, we take into consideration the market or the markets for the relevant underlying instruments. Market conditions can change rapidly over a short period of time, so if you want to close out a contract we might not be able to do so on the same terms.
- In considering the potential profit associated with any investment you should be aware of the costs and charges applicable to that product that will reduce such profitability.

This communication refers to past performance. Past performance is not a reliable indicator of future performance. Indications of past performance displayed on this communication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past or that significant losses will be avoided.

Statements contained on this communication that are not historical facts and which may be simulated past performance or future performance data are based on current expectations, estimates, projections, opinions and beliefs of the Saxo Bank Group. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Additionally, this communication may contain 'forward-looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

This material is confidential and should not be copied, distributed, published or reproduced in whole or in part or disclosed by recipients to any other person.

Any information or opinions in this material are not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be unlawful. The information in this document is not directed at or intended for "US Persons" within the meaning of the United States Securities Act of 1993, as amended and the United States Securities Exchange Act of 1934, as amended.

This disclaimer is subject to Saxo Bank's Full Disclaimer available at [www.saxobank.com/disclaimer](http://www.saxobank.com/disclaimer).