



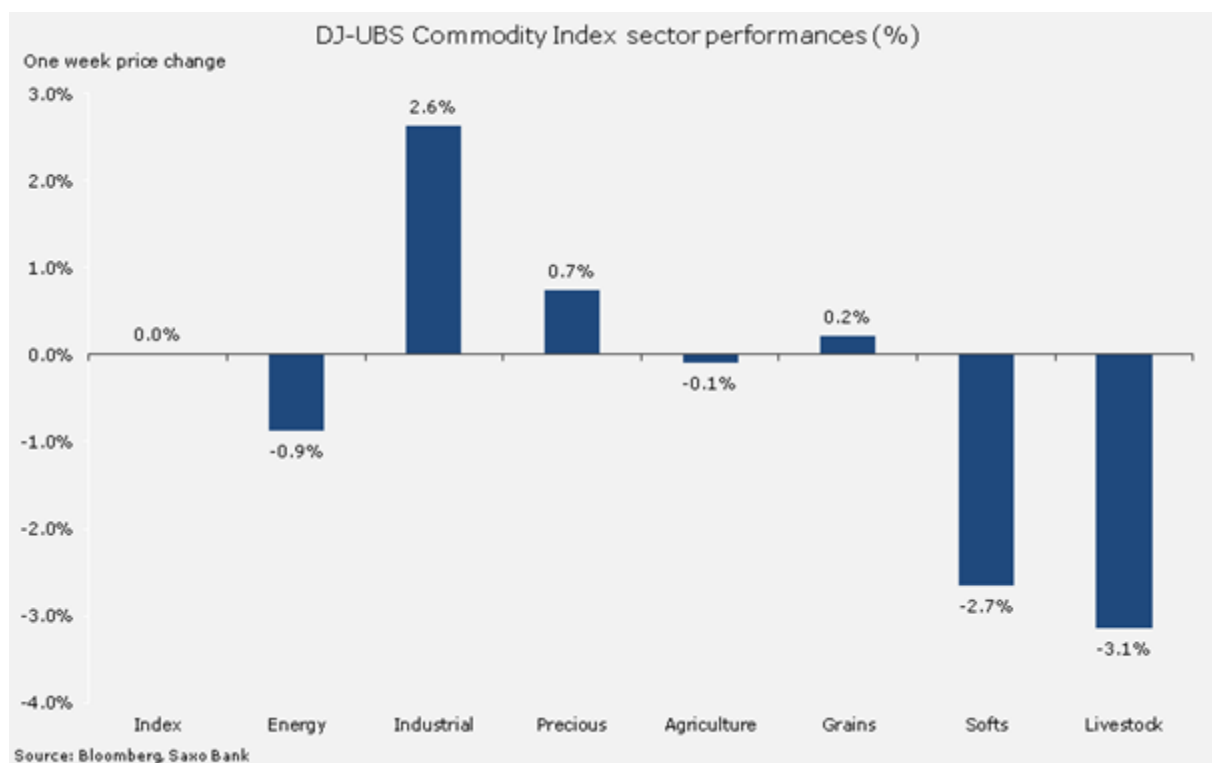
THE SPECIALIST IN TRADING AND INVESTMENT

Hellerup, 4 April, 2014

Libya deal or no deal rattles Brent crude — gold rangebound

Commodities generally experienced a quiet beginning to April with much of the attention focusing on the monthly US job report which in the end turned out to be the strongest since last November as the negative impact of the harsh winter faded. The energy sector was weaker on the prospect that Libya's major oil ports may finally open which could boost supplies at a time of seasonal weak demand.

The grain sector was given a boost from two US government reports which pointed towards lower inventories of soybeans and lower production of corn this summer as farmers favoured other crops. Industrial and precious metals were the strongest performing sectors with aluminum seeing strong gains on production cutbacks while copper steadied above key support on Chinese stimulus hopes. Gold recovered after the US job report settled a few nerves. Overall the broad based DJ-UBS commodity index finished close to unchanged as metal gains were offset by losses primarily in energy and soft commodities.



Platinum has recouped more than half of what was lost during the March correction as the mining strike in South Africa, the world's largest producer by far, has gone into its third month. Platinum and palladium should both benefit from this as supplies continue to tighten.

The soft sector was hurt by renewed long liquidation among most of its components, not least sugar and coffee which were sold due to ample supply of sugar from Brazil and coffee from Vietnam and Central America. Brazil's production of coffee is still on track to record a 20 percent reduction following the hot and dry weather which reduced this year's crop and triggered a strong rally back in February and March.

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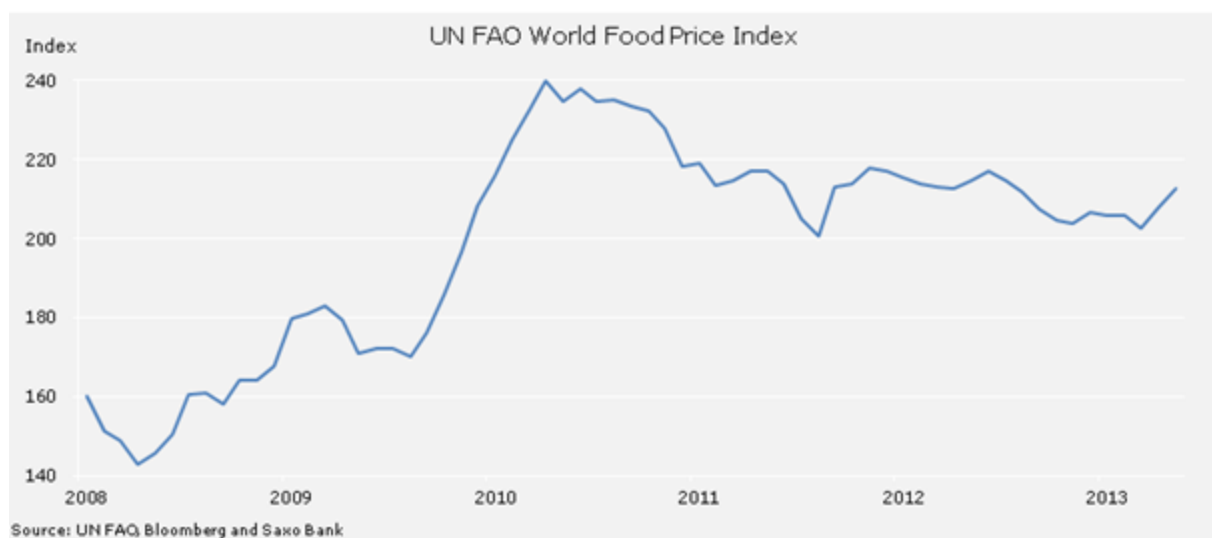


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Global food prices jump

World food prices rose to a ten-month high in March as crop damages from dry weather across the globe, a freezing cold winter in the US and geopolitical tensions in the Black Sea region lifted the cost of many food items from beef to wheat. The World Food Price Index from the UN Food & Agriculture Organisation, which tracks the price developments in 55 food items, rose by 2.3 percent to the highest level since last May. The index currently at 212.8 has been rangebound between 200 and 220 since peaking at 240 in 2010, the year when food security was top of the agenda following a surge in price of key foods and which indirectly led to the Arab Spring uprising in December that year.



Soybean, corn prices lifted by agriculture reports

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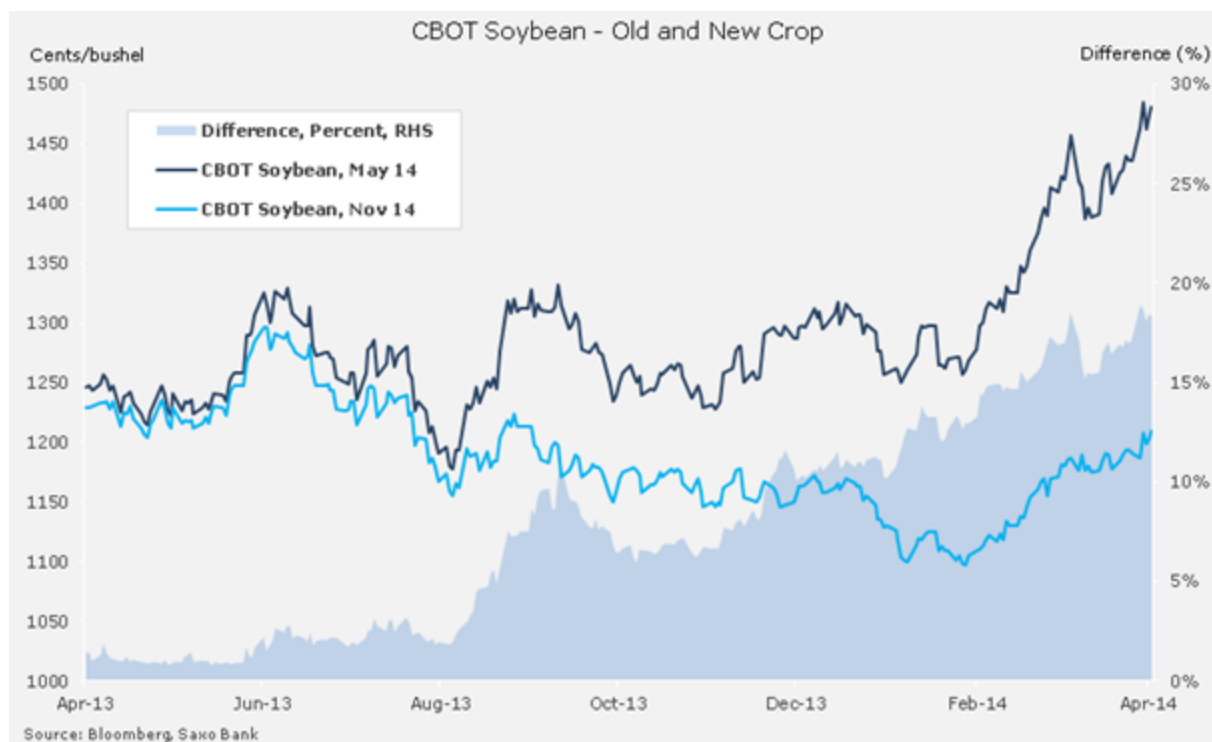
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Soybeans received a strong boost from a US quarterly stock report which estimated that inventories had dropped to the lowest level since 2004 on strong export demand. This coming crop season, however, is expected to bring some relief as US farmers intend to plant a record 81.5 million acres of soybeans during the next few months. As a result, the pressure for higher prices has primarily been felt in the price of the current diminishing crop (ZSK4) while the new crop (ZSX4) is trading some 17 percent cheaper on the expectation of a strong build in inventories following this year's harvest. Corn rose to a seven-month high on news that current inventories were lower than expected together with farmers' intentions of cutting this year's corn acreage by almost three percent. The price of wheat reversed lower as rain eased worries about the spring crop and this left the grain sector almost unchanged on the week.



Rollercoaster week for oil on Libya

Crude oil, led by Brent crude, suffered a major sell-off this week on news that Libya could be hours away from restarting exports from its eastern ports. Expectations were raised following news about a breakthrough in negotiations between the Libyan government and rebels which could ultimately result in oil exports being restored after slumping from 1.5 million barrels per day to just a trickle recently. But, as seen several times before during a month-long stand-off, hopes were soon replaced by concerns that we could still be many months away from a full resumption of production and exports. Even after an agreement has been reached, it remains uncertain how quickly parts of the production can be restored as the shutdown may have resulted in damage to the oil production facilities and pipeline infrastructure.

Before the bounce, Brent crude had broken the uptrend going back as far as 2009 before finding support at 104 USD/barrel, the lowest since November. The immediate upside potential for Brent crude seems limited at this stage as supplies seem ample and could be increased further should Libya manage to restore some of its exports. US demand for imported crude has fallen to the lowest level since 1996 as domestic production continue to rise and this has lent support to the continued narrowing of the spread between Brent and WTI crude, the two global benchmarks. This week WTI's discount narrowed to almost 5 USD/barrel, the lowest since October.

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Gold stabilizing following the March drubbing.

Gold spent the week stabilizing in a relative tight range following the 100 dollar drop during the second half of March. The boundaries of the range was determined by the 100 and 200 day moving averages at 1272 and 1298 USD/oz. for most of the week before the metal managed to climb back above 1300 USD/oz. following the US job report which eased the worries about an accelerating move towards higher interest rates.

Gold investors through exchange traded products reduced their combined holdings by the most since December as the strong sentiment at the beginning of the year has begun to show cracks following the sharp sell-off. The lack of bullish news is likely to reduce the upside potential for gold at this stage and we see any upside above 1320 USD/oz. as being limited at this time.



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Ole Sloth Hansen is a specialist in all traded Futures, with over 20 years' experience both on the buy and sell side. Hansen joined Saxo Bank in 2008 and is today Head of Commodity Strategy focusing on a diversified range of products from fixed income to commodities. He previously worked for 15 years in London, most recently for a multi-asset Futures and Forex Hedge fund, where he was in charge of the trade execution team. He is available for comments on most commodities, especially energies and precious metals.

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