



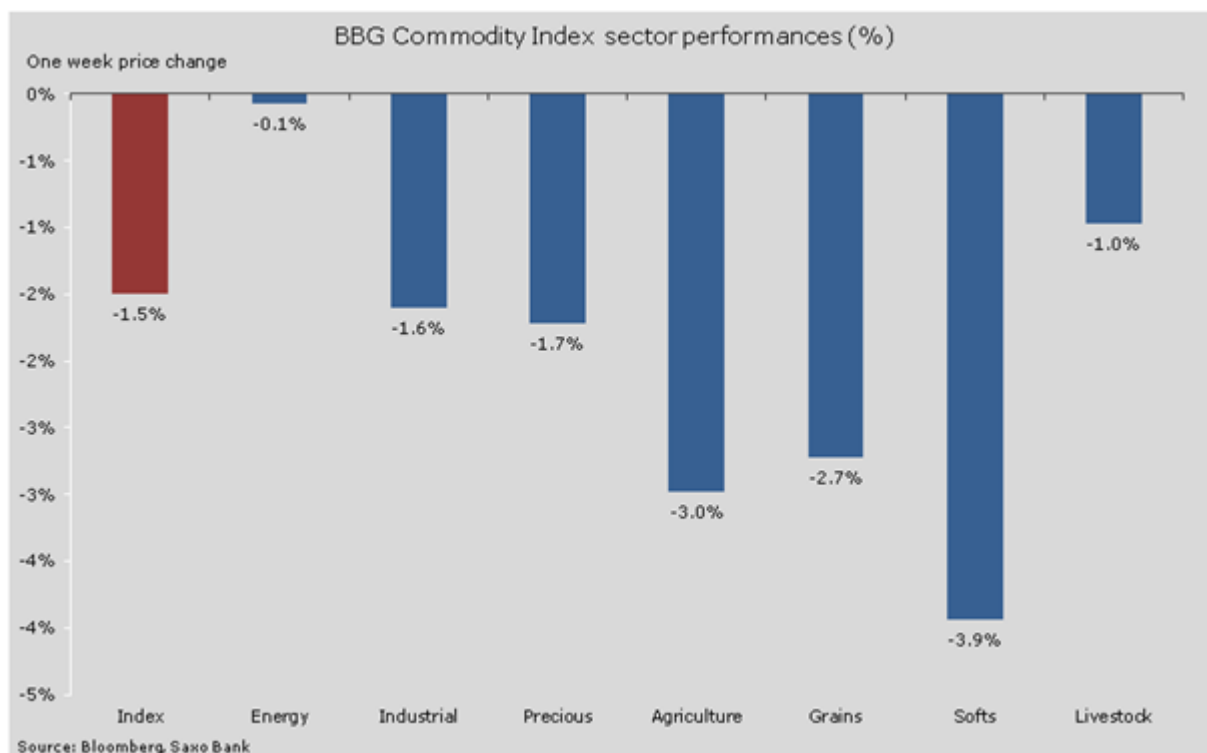
THE SPECIALIST IN TRADING AND INVESTMENT

Commodities slump to five-year low

Commodities slumped for a third week in a row to their lowest level since July 2009 as economic data pointed towards continued weakness in China. Meantime, the US Federal Reserve is continuing on track towards the beginning of normalising rates sometime next year. In Europe, the European Central Bank began its long-term refinancing operation (LTRO) while the biggest ever IPO, Alibaba, hit the market.

Scotland went to the polls and chose not to separate from the rest of the United Kingdom. This returned the focus on the dollar, which resumed building on its current positive momentum. The current divergence between Europe and Japan versus the US has resulted in the dollar rising for a tenth straight week, which, according to Bloomberg, is the longest rally since 1967.

Against this backdrop of a rising dollar, uneven developments in global economic growth and interest rates commodities suffered broad-based selling across most sectors, not least the agriculture sector, which remains troubled by rising supplies of most key crops.



Source: Bloomberg, Saxo Bank

All but a few commodities were sold, not least agriculture products such as cotton, wheat and coffee. At the top of the table, we find cocoa which continues to be supported by the Ebola crisis in Africa. This has now spread to five West African nations, some of which are close to the world's largest production areas in the Ivory Coast. Any further spread could have a major impact on the country's ability to harvest and transport beans.

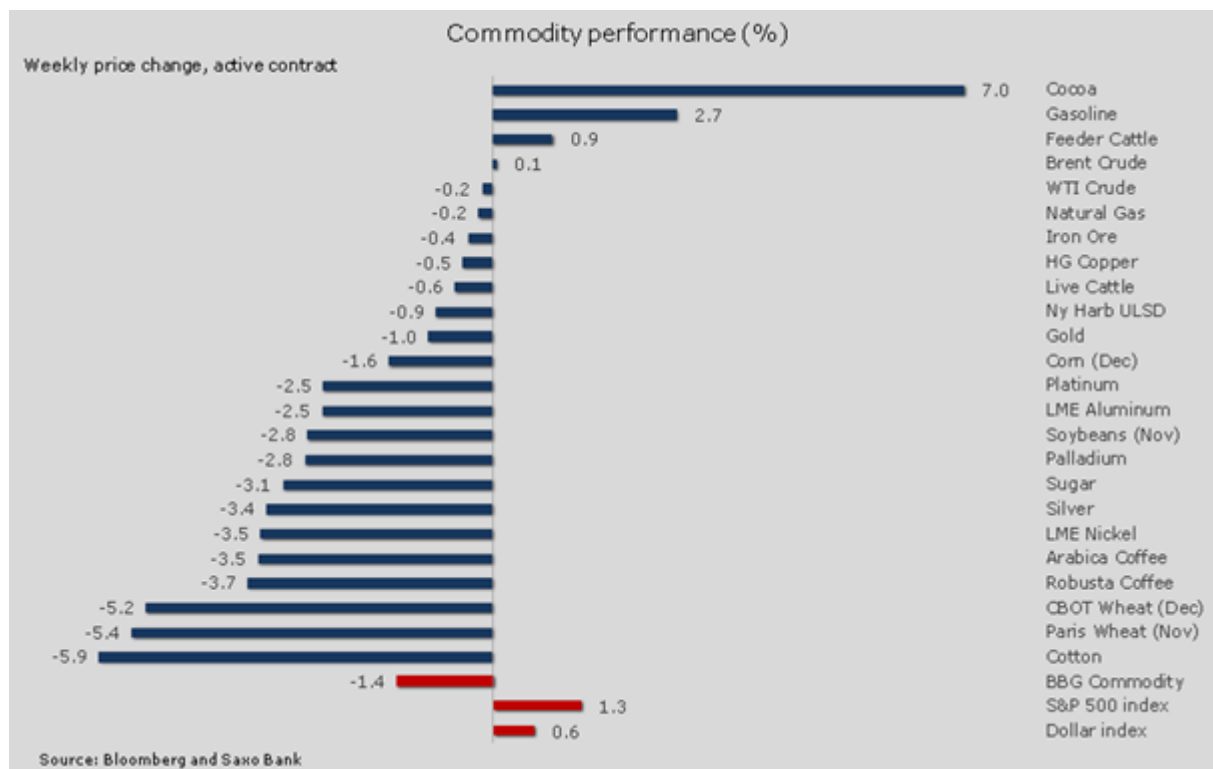
COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



THE SPECIALIST IN TRADING AND INVESTMENT



Energy prices just about managed to trade flat on the week, with the recent and ongoing focus on over supply and the potential for yet lower prices somewhat being off-set by what seemed to be the first round of verbal intervention from OPEC. This occurred together with news that Saudi Arabia had made the deepest cut to its oil production in 18 months during August.

As we head into the low demand season, prices are most likely to remain under pressure over the coming weeks despite OPEC's best intentions and a renewed scare about the potential for fresh disruptions in Libya. The alarm over the latter has arisen after a major oilfield halted production following a rocket attack nearby.

WTI Crude continues to see its spot crude attract a premium over recent months. The opposite situation continues in Brent crude as falling refinery demand and increased supply, not least from Libya, continue to keep spot prices under pressure. Overall, WTI crude oil has, for now, established a range between USD 90/barrel and USD 95 while for the Brent crude, find strong resistance at USD 100/barrel with support being the 2013 low at USD 96.75.

The combination of a stronger dollar, rising stocks and a rise in the US Federal Reserve's projection for where official interest rates will be heading all continue to create a strong headwind for gold, and especially silver. The current negative momentum has seen silver drop to a four-year low below USD18/ounce while gold continues grinding lower towards key support, some 3% below current prices.

Although the FOMC has reiterated its promise to keep official interest rates low for a considerable time, the revision higher in terms of where individual members are seeing rates heading has helped create

COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

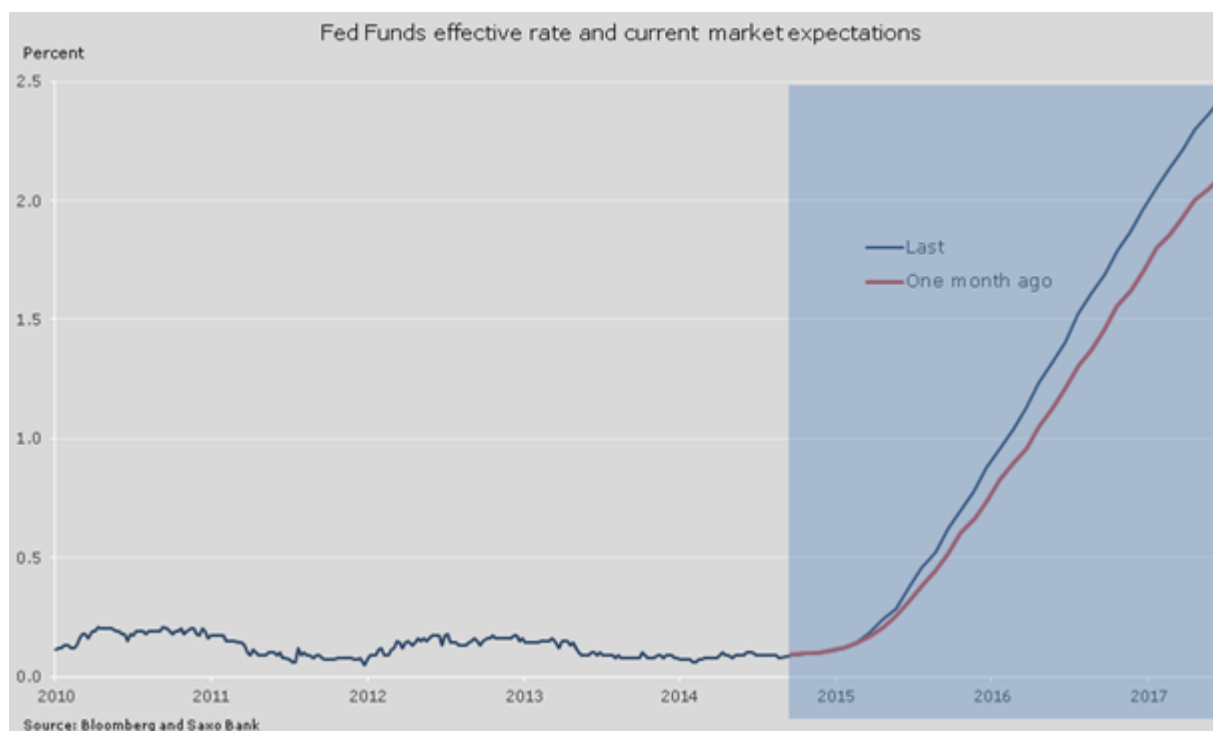
Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com



THE SPECIALIST IN TRADING AND INVESTMENT

some additional selling. Traders have readjusted their expectations for the future path of the effective fed funds rate, as seen below.

Near-term, the momentum remains negative, not least considering the growing positive momentum and the belief that the dollar will go higher from here. The key for gold now is to hold onto support at the 1182 level, which represents a double bottom in the market. Some signs of increased demand in the physical gold market has emerged following the recent price slump. However, while it has helped reduced the slide it may not be enough at this stage to reverse the current negative trend.



All graphs: Bloomberg and Saxo Bank

Head of Commodity Strategy at Saxo Bank **Ole Sloth Hansen**

Email: olh@saxobank.com

Phone: +45 3977 4810

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.

COPENHAGEN. LONDON. SINGAPORE. DUBAI. PARIS. TOKYO. AND OTHER FINANCIAL CENTRES AROUND THE WORLD

WWW.SAXOBANK.COM SAXO BANK A/S Philip Heymans Allé 15 2900 Hellerup Denmark

Telephone: +45 3977 4000 Telefax: +45 3977 4200 Reuters Dealing Code: SAXO Cvr. nr. 15 73 12 49 info@saxobank.com