From: Daniel Sabba <[redacted]>
To: "jeffrey E." <jeevacation@gmail.com>
CC: Vahe Stepanian <[redacted]>, Paul Morris <[redacted]>, Richard Kahn <[redacted]>
Subject: FW: EOD Commodities Note - 5 Feb [C]
Date: Thu, 05 Feb 2015 22:39:28 +0000

Classification: **Confidential**

Implied vol continues to go up. Mar15 contract vols are at 65%.

Another high day of realized vol.

From: Prateek Jain
Sent: Thursday, February 05, 2015 4:31 PM
Subject: EOD Commodities Note - 5 Feb

Oil
Another roller coaster day in crude, with trough to peak WTI being 10%! The rally started in LDN morning and accelerated during NY hours. My sense is that the market is still extremely short. A large part of the post OPEC drop from the low 60s to the high 40s had been due to non specialist macro players getting short. I think that as the downward momentum slowed, along with a resumption of long forgotten geopolitics (which they overreact to I think most times), their reasons to be short are waning thin. We had more Libyan clashes today between Islamist militias (possibly aligned with ISIS) and the internationally recognized government; also, Jordan started bombing ISIS in retaliation to their savage burning of a Jordanian pilot. And Russia/Ukraine creeping back into headlines. In other news today, Saudi raised OSPs to Europe and the Med, lowered to Asia, and slightly increased to the US. The increases to the Med were quite large, and even to NWE. . These European OSP hikes are consistent with tightening markets there recently. Speaking of Saudi, preliminary data for January Saudi exports show January down 360kbd from Dec, at 6.662M bpd. This is consistent with the pickup in the new refinery there. In the North Sea, the window was bid today with both Ekofisk and Forties strengthening. Overall, the past week has seen increasing strength in BFOE grades. BRE spreads rallied off the back of the diff rally. In the US, the USGC diff rally continued, with LLS/WTI near 5$ (!) now! There was an interesting report out saying that the top 5 world energy producers (Shell, Chevron, Exxon, BP, and Conoco-Phillips) dropped production by 3.5% in 2014 due to natural declines in existing wells. This of course has been the case over many years as replacing production is not easy, even at high oil prices. But it is worth remembering the large drops in non-opec production we used to see pre US shale revolution…In products land, Come by Chance refinery may enter a strike if its union does not agree with Management by Thursday. And a CDU has gone offline at New Jersey's Bayway refinery, a large gasoline supplier of the North east. This should help gasoline stay firm in the short term…

*100--SAUDI ARAMCO RAISES MEDITERRANEAN-BOUND CRUDE OSPS BY $1.70-1.90/B FOR MARCH
*100--SAUDI ARAMCO RAISES NW EUROPE-BOUND CRUDE OSPS BY $0.70-1.15/B FOR MARCH
*100--SAUDI ARAMCO LOWERS ASIA-BOUND CRUDE OSPS BY 40-90 CENTS/B FOR MARCH
*100--SAUDI ARAMCO RAISES ALL US-BOUND CRUDE OSPS BY 15 CENTS/B FOR MARCH

Oil Vols

	WTI (/change)		BRE (/change)	
H15	65.00%	+2.00%	53.90%	-5.25%
M15	52.90%	+1.10%	48.50%	+1.70%
Z15	38.90%	+1.40%	37.00%	+1.60%
Z16	29.00%	+1.20%	29.00%	+1.25%

Base Metals

3m lvls	dod change	support	resistance
Al $1882.5	+$4.5	$1800	$1900
Cu $5702	-$3	$5600	$5800
Zn $2140.5	+$0.5	$2030	$2150
Ni $15140	+$15	$15,000	$15,550
Pb $1853	-$15	$1750	$1855

The base complex edged higher on a weaker dollar and concerns about The ECB toughening its stance on Greece. Australia New Zealand Bank has lowered its estimate for Copper to $5850/MT, Aluminum to $1800/MT, Nickel to $17,625, Lead to $1850/MT and Zinc to $2163/MT on weakness in demand in China, lower oil prices and the strength of USD. LME warehouses saw a massive increase in copper stocks giving further confirmation that the global market is oversupplied. Codelco have struck a deal with its workers at the Ministro Hales copper mine to lock in wage increases of 1.85%pa and benefits for 4 years. The Mongolian Government is expected to announce that it is willing to reduce its stake in strategic mines including the massive Oyu Tolgoi in exchange for higher royalties in order to attract much needed foreign investment. Aluminium premiums are expected to stay high in Japan for the rest of 2015 according to Sumitomo Corp as the market remains tight outside of China unless Chian steps up exports.

Shanghai Aluminum on warrant stocks are down 0.18% to 54.9 kMT. LME Aluminum on warrant stocks are flat at 1731.6. Shanghai Copper on warrant stocks are down1.31% to 37.8 kMT. LME Copper stocks are up 13.55% to 260 kMT. LME Nickel stocks are down 0.34% to 309 kMT.
Copper Vols are down 0.78%, Ali Vols are down 0.28%, Nickel Vols up 0.19%, Lead Vols are unch Zinc Vols are unch

Upcoming Data
5/2- DE Factory Orders MoM- Surv 1.5%, Actual 4.2%, Prior -2.4%
5/2- US Initial Jobless Claims- Surv 290k, Actual 278k, Prior 265k, Revised 267k

Regards,
Prateek