

Global Commodity Monitor
06-July-2009

Global Commodity Monitor



Business Performance Consulting



CGN Proprietary & Confidential



Disclaimer

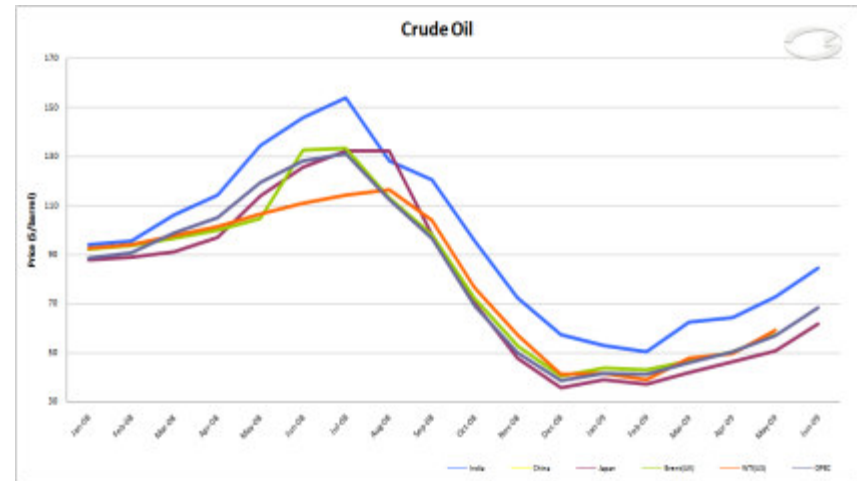
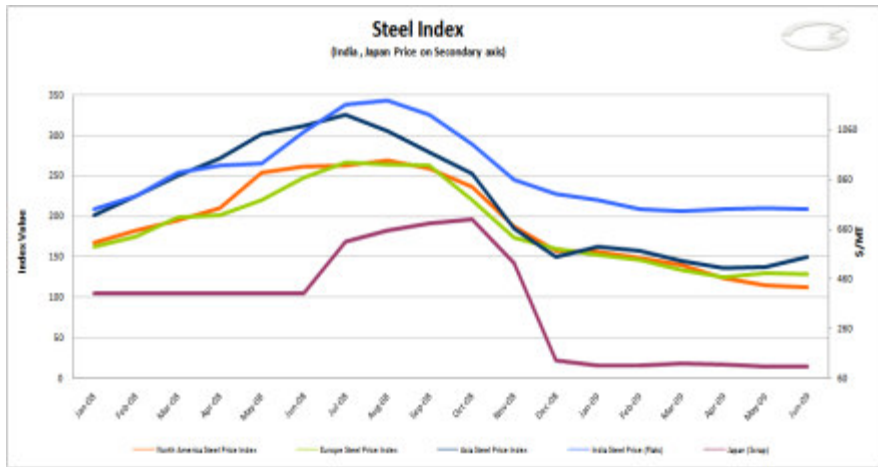
Note

- Information in this presentation is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. CGN & Associates accepts no responsibility for loss arising from any action taken or not taken by anyone using this presentation.

- Charts last updated on : 6th July 2009
- News in the month of : June, 2009

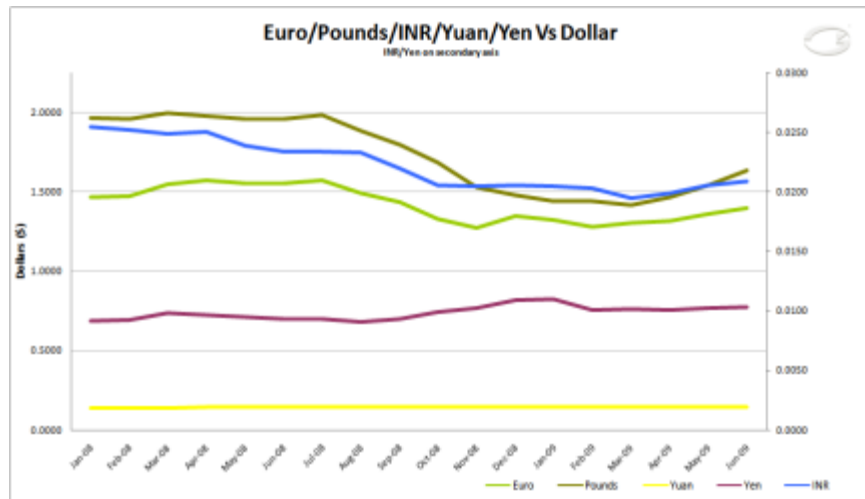


HIGHLIGHTS



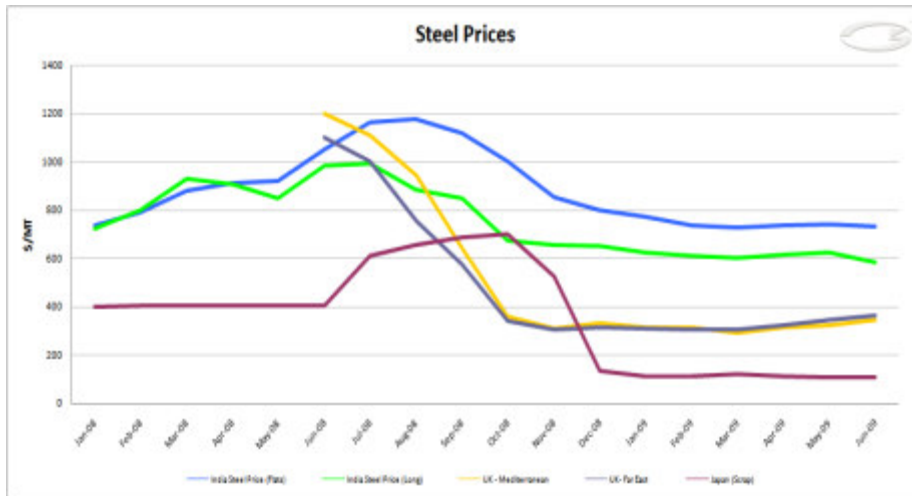
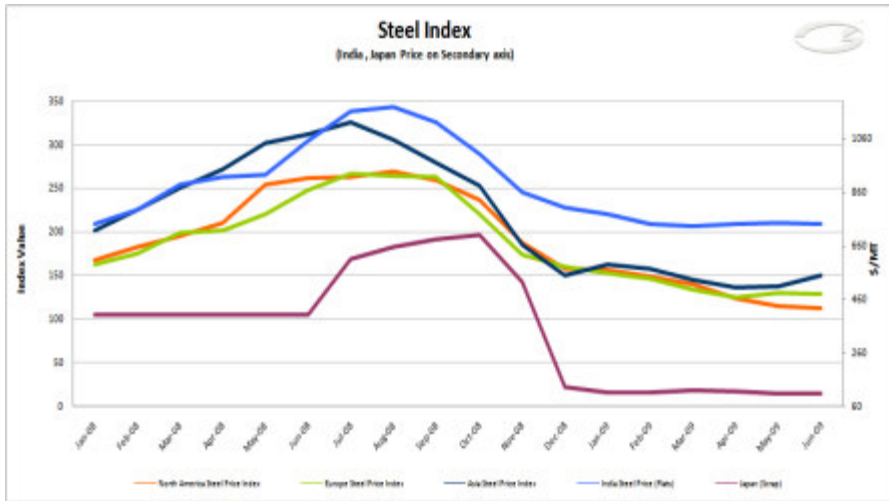
News

- Steel sheet prices across Asia have stabilized this month, though this cannot yet be credited to any up-tick in underlying or 'real' demand
- Overall market conditions are liable to be more testing during the third quarter due to fears that the global economy will still face major difficulties in securing a sustained recovery. In this environment, there is scope for increased defensive dollar support with high-yield currencies struggling to extend gains
- Crude oil is poised for the longest losing streak since December





STEEL



Local News

- Steel sheet prices across Asia have stabilized this month, though this cannot yet be credited to any uptick in underlying or 'real' demand
- India will speed up the process of granting Posco an iron-ore mining license, seeking to end a four-year wait by the steelmaker to secure resources for its planned \$12 billion venture in the country

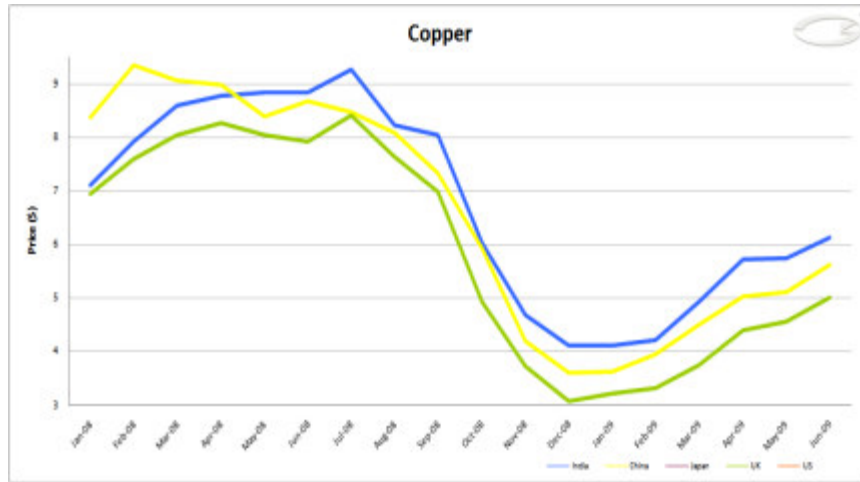
Global News

- There are growing signs that the US steel market could conceivably be over the worst. Providing production disciplines hold, moderate price rises look sustainable without the risk of attracting imports
- The good news is that steel prices worldwide appear to be staging a rally. The bad news is that the large capacity overhang will prevent mills from making any profits
- China's steel mills, especially large-scale producers, are raising utilisation rates in response to higher prices and an improving economic situation, according to a government assessment of the market

Country	India	Japan	North America	Europe	Asia
YOY	-30%	-73%	-57%	-48%	-52%
MOM	-1%	0%	-2%	-1%	8%



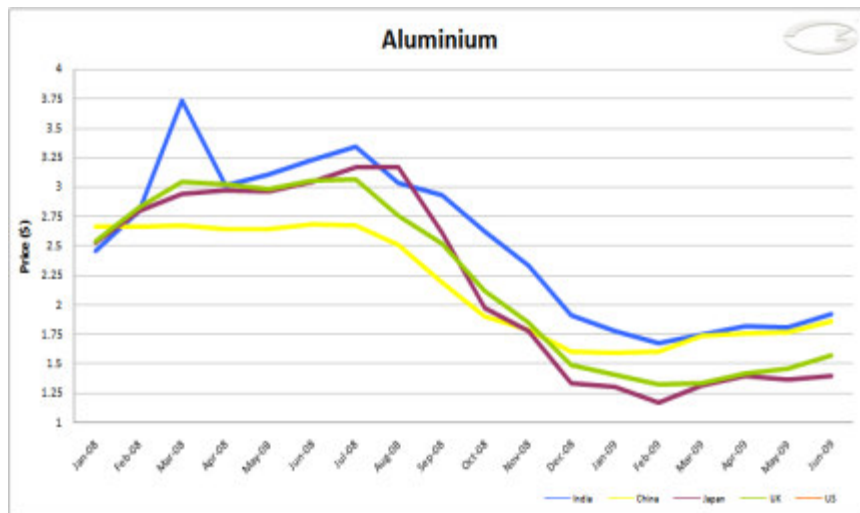
NON-FERROUS METALS



Copper News

Country	India	China	UK
YOY	-44%	-54%	-58%
MOM	7%	10%	10%

- Stockpiling by China, the world's top copper consumer, has helped copper prices surge about 60 per cent so far in 2009. But analysts warn this support is fading and Western economies remain too beleaguered to pick up the baton just yet
- Strategists estimate that China currently has between 700kt-1Mt of excess copper stocks. They predict Chinese imports will decline in Q3 and ease pressure on the market balance



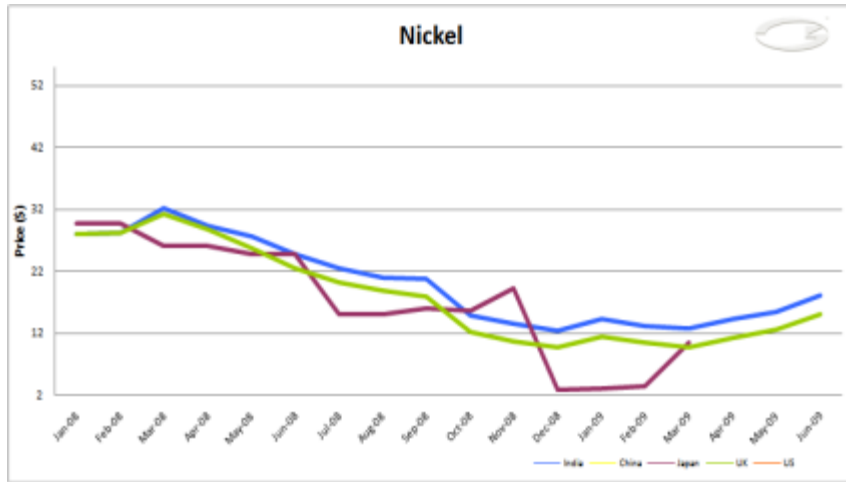
Aluminium News

- Alcoa Inc., the largest U.S. aluminum producer, may report its third consecutive quarterly loss as lower demand from automakers and the construction industry keeps the metal at about half of last year's prices
- Deutsche Bank suggests much of the fate of aluminum rests with China. The level of oversupply in the Chinese market is also being exacerbated by domestic capacity restarts

Country	India	China	Japan	UK
YOY	-42%	-30%	-56%	-49%
MOM	6%	6%	2%	8%



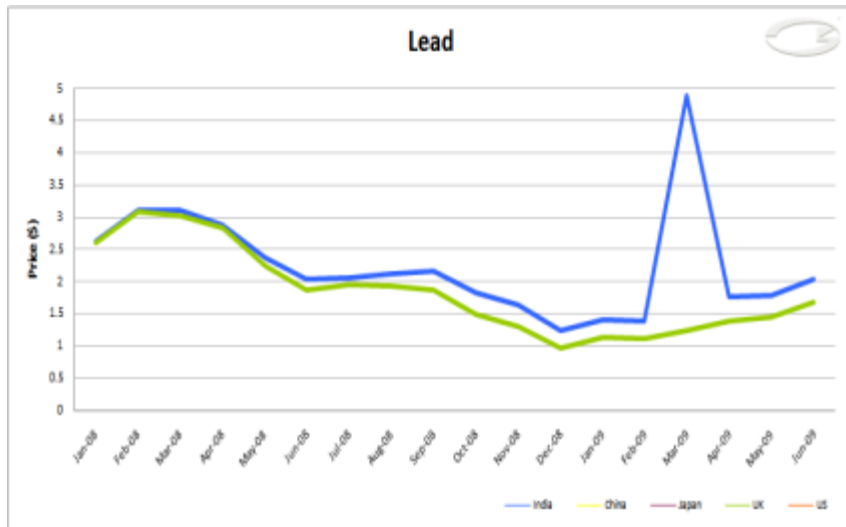
NON-FERROUS METALS



Nickel News

Country	India	UK
YOY	-29%	-38%
MOM	18%	18%

- The global nickel market surplus, which has been evident since March 2008, is falling rapidly as a result of the 18-month campaign from producers to cut output in response to the collapse in global demand
- Six quarters of negative demand growth would have adequately destocked the global stainless steel market and is therefore primed to enter a restocking period
- Mirabela Nickel is bringing its Santa Rita mine in Brazil into production and MD, Nick Poll is extremely confident about the economics despite the current woes affecting the global nickel sector



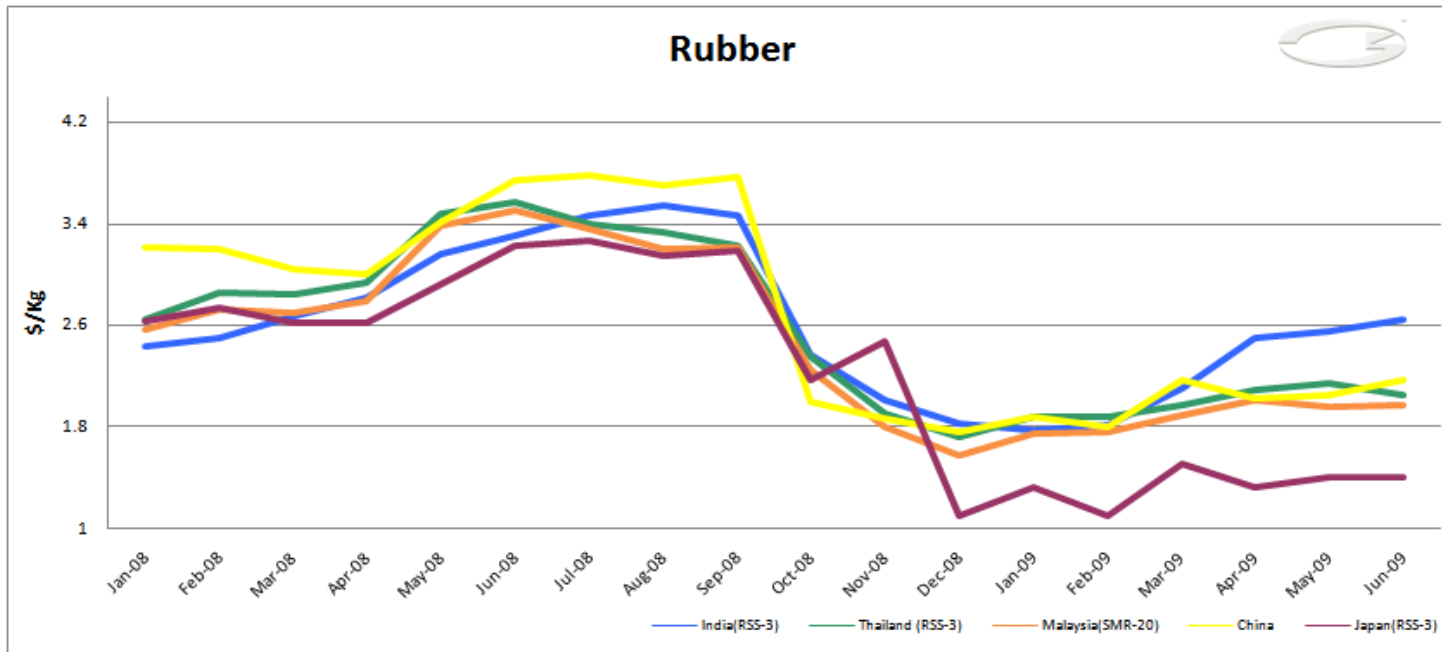
Lead News

- Lead has moved in concert with copper, bolstered by record high Chinese import demand, strong equity markets and dollar weakness
- 2009 global demand forecast have been revised down from 8.29Mt to 8.20Mt to reflect the ongoing weakness in the world auto industry as well as flowing import demand from China

Country	India	UK
YOY	0%	-10%
MOM	0%	-13%



RUBBER

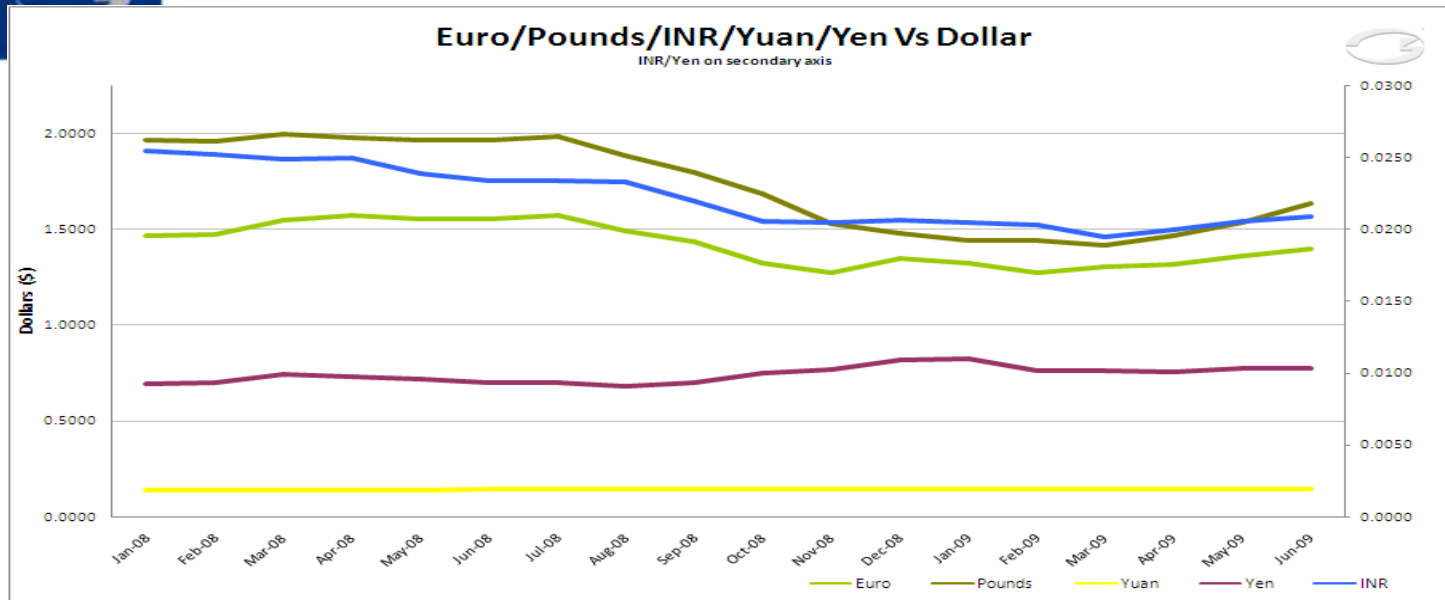


Country	YOY	MOM
India	-20%	4%
China	-42%	6%
Japan	-56%	0%
Thailand	-43%	-4%
Malaysia	-44%	1%

News

- India's natural rubber export has slumped to an unprecedented level at just 16 metric tons in June against 9,451 metric tons in the same month last year, as prices in the domestic market far exceeded global rates, according to state-run Rubber Board
- Domestic prices of the natural variety were ruling far above the international price, prompting large consumers to import more and making export a less profitable option. Lack of demand in the international market too, dented the export
- Bridgestone Corp., the world's largest tiremaker by sales, cut its full-year net income forecast as vehicle sales decline

EXCHANGE RATES



Country	YOY	MOM
Euro	-10%	3%
Yen	11%	0%
Pounds	-17%	6%
Yuan	1%	0%
INR	-10%	2%

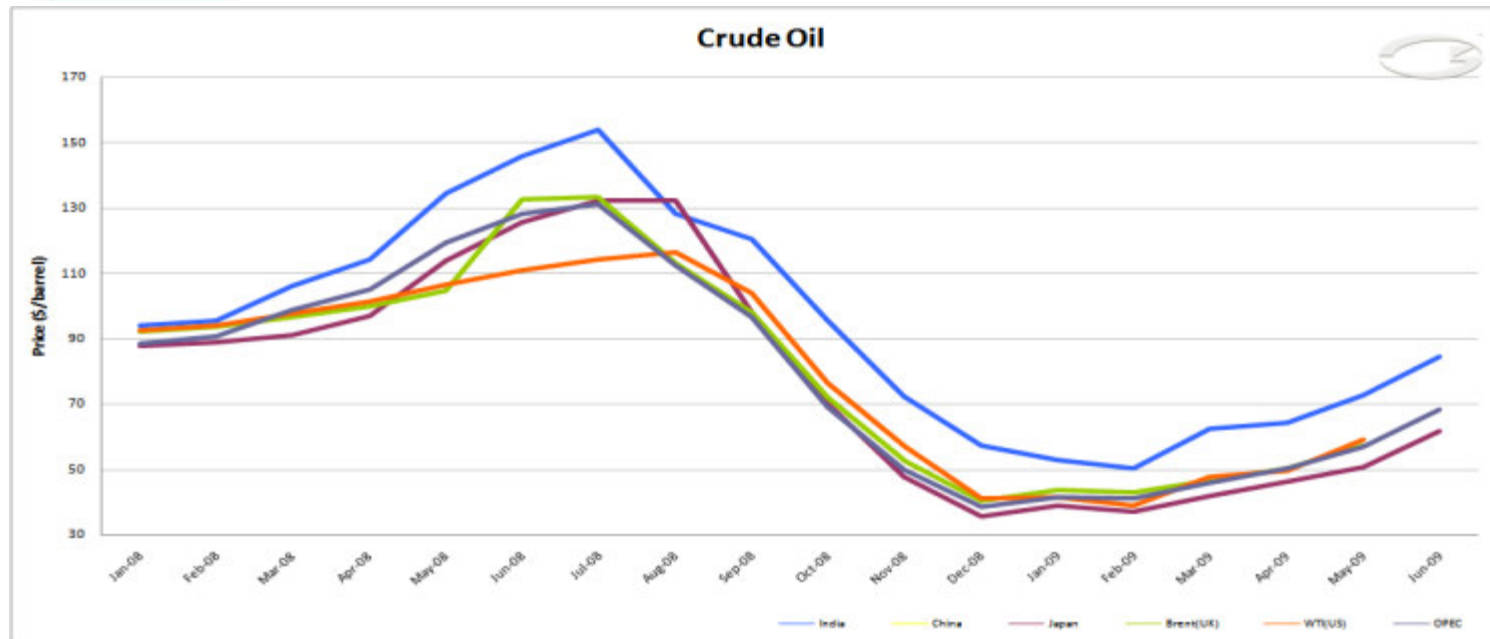
News

- Overall market conditions are liable to be more testing during the third quarter due to fears that the global economy will still face major difficulties in securing a sustained recovery. In this environment, there is scope for increased defensive dollar support with high-yield currencies struggling to extend gains
- The dollar weakened sharply in US trading following a report that the Chinese authorities had called for the issue of global reserve policies and the introduction of a new reserve currency to be discussed at the G8 meetings next week. Russia and India said the world economy is too dependent on the dollar and called for revisions to how \$6.5 trillion in currency reserves are managed
- The yen has strengthened more than four times as much as any of the 16 most-traded currencies versus the dollar in the past month. Japan's currency typically strengthens during times of financial turmoil as the nation's trade surplus means the nation does not have to rely on overseas lenders
- The Euro-zone recovery is liable to remain unconvincing in the short-term with a lack of momentum
- The rupee will continue to be influenced strongly by trends in international risk appetite. There looks to be little scope for strong rupee gains in the near term



CRUDE OIL

The OPEC reference Basket contents are mentioned in the references slide



Country	YOY	MOM
India	-42%	16%
Japan	-51%	22%
UK	-45%	14%
US	-44%	19%
OPEC	-47%	20%

OPEC Reference Basket

- The OPEC Reference Basket surged and was driven by improving economic sentiment lending hope for a recovery in petroleum demand
- Growth for the world economy in 2009 has been revised up slightly by 0.1% to show a decline of 1.3%. This minor change was due to upward revisions mainly in China and India
- In 2009, world oil demand is expected to see continued negative growth of 1.6 mb/d. The first half of the year has seen a downward revision, while a gradual recovery in demand is expected by the end of the year.

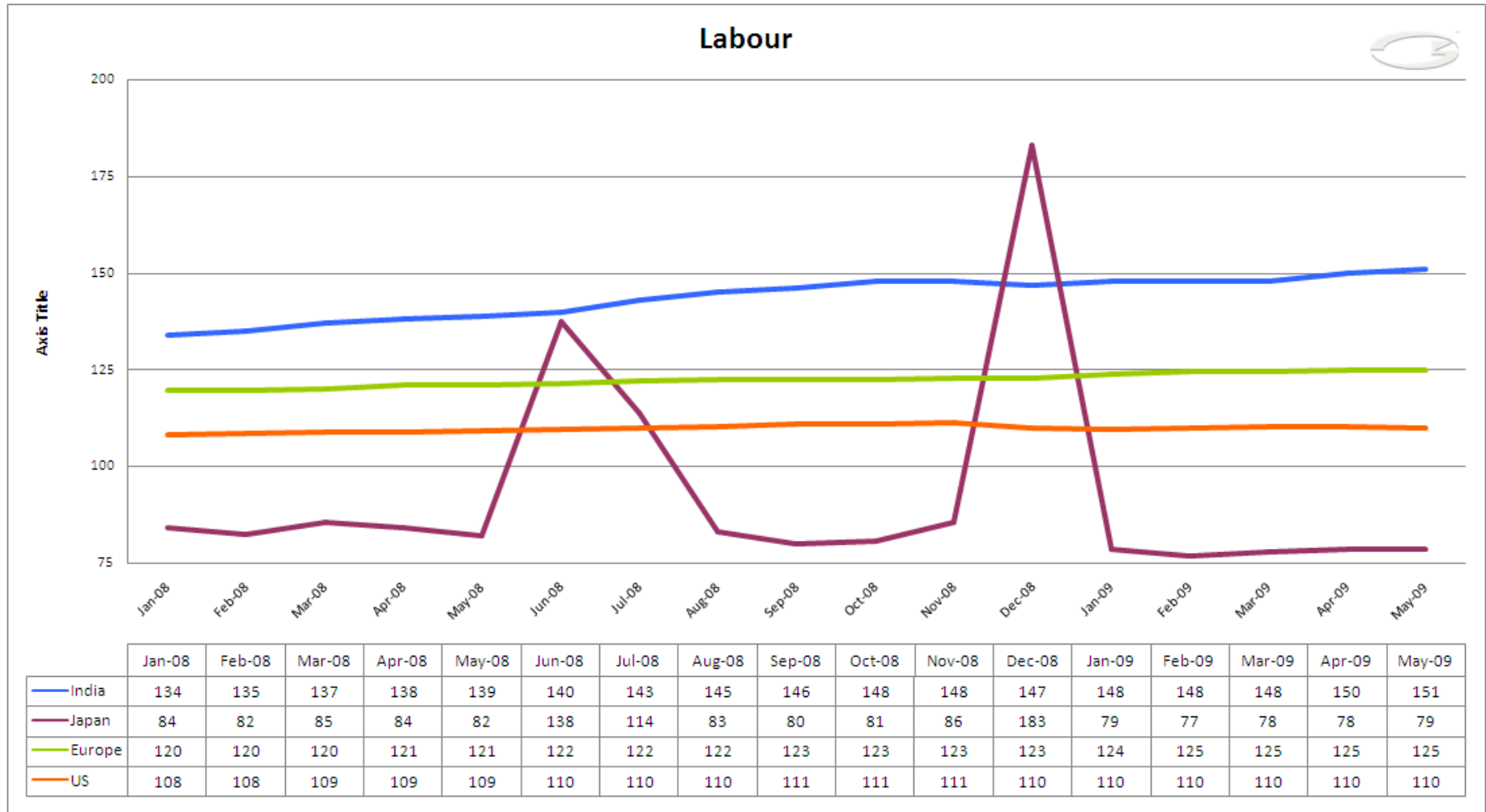
News

- Stockpiles of gasoline have increased steadily for the past four weeks during a time when traffic volumes usually peak.
- Oil prices face continuous downward pressure and may drop to below \$50 a barrel in the coming weeks. Worries about the state of the global economy and that the recovery won't be fast enough are causing both the equities and oil markets to tumble
- Crude oil is poised for the longest losing streak since December, before a report forecast to show U.S. fuel inventories increased in the world's largest energy consumer



LABOUR

Country	India	Japan	Europe	US
YOY	9%	-4%	3%	1%
MOM	1%	0%	0%	0%





References

- www.opec.org
- www.cruspi.com
- www.bbc.com
- www.thehindubusinessinfoline.com
- www.bloomberg.com
- www.metalmarkets.org
- www.metalspace.com
- www.Rubberboard.org.in
- www.allaboutrubber.com
- The new OPEC Reference Basket (ORB), implemented as of 10 September 2007, is currently made up of the following: Saharan Blend (Algeria), Girassol (Angola), Minas (Indonesia), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and BCF 17 (Venezuela)



Business Performance Consulting

USA > Chicago | Detroit | Peoria • NETHERLANDS • UK • CHINA • INDIA