



Jackson House, 18 Savile Row, London W1S 3PW

Tel: (020) 7758 4777 Fax: (020) 7287 5292

e-mail: trade@bfl.co.uk web: www.bfl.co.uk

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U.S. wheat builds on to strong gains, up 1 pct

* Corn slips nearly 1 pct as favourable weather weighs

* High prices attract Australian farmer selling

U.S. wheat futures climbed to a new 22-month peak on Thursday, building on the strong gains seen in the previous session as renewed concerns over drought in the Black Sea region boosted the market.

However, corn prices slid nearly 1 percent, while soybeans ticked lower amid forecasts of crop-friendly growing conditions in the U.S. Midwest.

"We are seeing a remarkable run in prices, it's a market that continues to fire on concerns over wheat production out of the Black Sea region and also weather issues in Canada," said Garry Booth, a trader with MF Global Australia.

Chicago Board of Trade front-month wheat has risen more than 10 percent this week. It surged over 42 percent in July in its strongest monthly performance since at least 1959.

The latest in a series of bullish news came from the UN's Food and Agriculture Organization which chopped 25 million tonnes from its last 2010 global wheat estimate, which was released in June before the drought gripped Russia.

FAO said on Wednesday the drought will reduce wheat output in Kazakhstan and Ukraine, which coming after planting troubles in Canada are expected to bring world wheat supplies down to 651 million tonnes.

The drought may also put at risk next year's winter grain crop, said the head of the Institute for Agricultural Market

Chicago Board of Trade wheat was up 0.9 percent at \$7.32-¼ a bushel by 0349 GMT, after touching an intraday high of \$7.35 a bushel, the highest since September 2008.

"Earlier grower selling was remarkably quiet and it is only now in what appears to be the confirmation of great season and high prices that growers have come to the market to fix their prices," said Booth.

Russian wheat prices are soaring amid the drought concerns, but the major exporter's grain remains competitive in world markets.

The main grain buyer for Egypt, the No. 1 world wheat importer, said Wednesday that it bought 180,000 tonnes of Russian wheat in its second big purchase in a week. Wednesday's purchase was \$9 to \$40 per tonne higher than its last purchase on Saturday.

Corn fell almost 1 percent, its biggest decline in eight days, on good crop progress in the U.S. Midwest. Soybeans fell slightly.

CBOT September delivery corn slid 0.8 percent to \$3.97 a bushel and August soybeans lost 0.2 percent to \$10.51 a bushel.

Soggy western U.S. Midwest crop fields will see a little less rain than previously forecast and the parched Delta region will benefit from light showers late this week, a forecaster said on Wednesday.

"Conditions for 80 to 85 percent of the belt remain favourable but we're starting to see some dryness and heat stress taking place in the southern edge of the Corn Belt," said Mike Palmerino, a forecaster with Telvent DTN.

Gold steady on bargain hunting

* U.S. weekly initial jobless claims; 1230 GMT

Gold held steady on bargain hunting on Thursday after prices slipped below \$1,200 an ounce but firm stock markets were likely to weigh, and holdings on the ETF fell slightly.

Investors await the release of more data from the United States, particularly the payrolls report, which will offer clues on the health of the economy. Friday's government report on jobs may show a drop of 65,000 in July as census jobs dried up.

Spot gold added 10 cents to \$1,194.70 an ounce by 0205 GMT after rising to a 2-week high on Wednesday as physical buying, better-than-expected U.S. jobs data and hopes for stronger Chinese demand lifted the metal for its sixth straight daily gain.

"It's still a very tricky market to call on the near term. I suppose the positive sign for gold now is that it has held up some pretty heavy selling pressure towards \$1,150," said Mark Pervan, senior commodities analyst at ANZ in Melbourne.

"If we start to see the relationship being re-established for the negative correlation with the U.S. dollar, then there's a potential for gold prices to move back up into the \$1,200 to \$1,250 range pretty quickly."

Gold has risen despite a stronger dollar as it gradually reverses a trend earlier this year when the metal moved in tandem with the U.S. currency, driven by safe-haven demand.

U.S. gold futures for December delivery were also steady at \$1,196.5 an ounce after hitting a high of \$1,199.5.

The U.S. dollar was mostly higher in Asia on Thursday after U.S. economic data beat the market's low expectations and sparked a bout of short-covering, though the overall mood remains bearish into the key payrolls report.

"I think the market needs to consolidate first, then we will see if the Chinese will start to buy gold. But we do see light physical buying and short covering after prices slip below \$1,200," said a dealer in Hong Kong.

"People are cautious ahead of the payrolls data," he added.

China said on Tuesday it would allow more domestic banks to export and import gold as part of steps to encourage more liquid trade, which could underpin the country's growing private demand for the metal.

Japan's Nikkei rose 2 percent on Thursday after U.S. stocks firmed in thin trade as retailers' earnings and a report showing a slight improvement in private employment boosted optimism ahead of Friday's payrolls report.

Oil prices shrug off gains in Asian stock markets

* Coming Up: U.S. weekly initial jobless claims; 1230 GMT

Oil fell for a second day on Thursday, approaching \$82, as dollar strength kept a lid on prices, neutralising the effect of upbeat U.S. employment data and a drop in the nation's crude inventories last week.

At the same time, U.S. stockpiles of gasoline and distillate fuels, including diesel, extended a string of gains, contributing to a mixed perception about the outlook for oil demand from the world's top consuming nation for the rest of the year.

U.S. crude for September fell 30 cents to \$82.17 a barrel by 0345 GMT, having touched a three-month intraday high of \$82.97 on Wednesday. ICE Brent shed 32 cents to \$81.88.

U.S. private employers added more jobs than expected in July after an upwardly revised gain in June, payrolls processor ADP Employer Services said on Wednesday, ahead of reports for weekly jobless claims on Thursday and July non-farm payrolls on Friday.

"Investors are more concerned over the rise in gasoline inventories versus the drawdown in crude," said Serene Lim, a Singapore-based oil analyst at ANZ.

"That outweighed the better-than-expected U.S. economic data. Also, the dollar has an inverse relation with oil prices."

Oil reacted to the stronger U.S. currency, shrugging off the effect of rising equities in Asia. The greenback rose more than 0.1 percent against a basket of currencies on Thursday, extending the gains of the previous day.

A stronger dollar renders oil imports more expensive for Asian consumers including Asia-Pacific's top five -- Indonesia, South Korea, India, Japan and China -- which combined use about the same amount of oil as the United States.

Oil surpassed \$80 a barrel for the first time in three months this week after being stuck in the mid \$70s for almost two months.

"The oil market may not yet have fully shrugged off the intense degree of macroeconomic pessimism that kept prices below \$80 for most of second quarter, but it is perhaps now starting to put that pessimism into more of a context and make it less of a dominating shadow in terms of price formation," Barclays Capital analysts said in a weekly reported dated Aug. 4

The vast service sectors in the U.S. and euro zone both grew last month, reports showed on Wednesday, easing some worries about a severe slowdown in the global economic recovery.

But the positive economic data has yet to be reflected in U.S. fuel inventories, which have been rising for most of the northern hemisphere summer, when gasoline demand peaks and inventories of the fuel usually fall.

The Energy Information Administration on Wednesday said the country's gasoline stocks rose for an unexpected sixth consecutive week, by 729,000 barrels, and supplies of distillate fuel including diesel climbed for a tenth, by 2.8 million.

The government statistics also showed U.S. crude stockpiles slumped 2.8 million barrels last week after Tropical Storm Bonnie caused delays to oil shipments and production.

Japan's Nikkei rose almost 2 percent on Thursday, with shares of exporters that led sharp market falls the day before gaining after the dollar rebounded from an eight-month low against the yen on the encouraging U.S. employment and service sector data. [T]

Saudi Arabia cut the official selling prices (OSPs) of benchmark Arab Light crude oil and most other grades to Asia, the United States and Europe in September, state-run oil company Saudi Aramco said on Wednesday.

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