



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

Daily Commodities Report 1th July

China tops U.S. as largest energy user -IEA

* Coming Up: API U.S. inventory report; 2030 GMT

Oil climbed to \$77 on Tuesday as forecasts for a fourth consecutive weekly drop in U.S. crude inventories bolstered the positive influence of rising stock markets in most of Asia.

Shares of resource firms and banks clawed back some of their recent losses, helping to boost U.S. crude for August by 47 cents to \$77.01 a barrel at 0644 GMT for a second straight day of gains.

The August contract expires on Tuesday, while the more liquid September future was trading up 40 cents at \$77.30.

ICE Brent crude added 34 cents to \$75.96.

Prices have been stuck in a range between \$71 and \$80 for more than six weeks as volatility related to the European debt crisis dwindled, while a tighter crude market has offset weaker U.S. macroeconomic indicators signaling a slower global recovery.

"I'm pretty sure you will see an increase in demand over the next few weeks and inventories have been in decline," said Peter McGuire, managing director at CWA Global Markets in Sydney, adding prices could top \$80 in the first week of August.

U.S. crude inventories likely fell 1 million barrels on average last week, a Reuters survey showed on Monday, while stockpiles of distillate fuel including heating oil and diesel, probably rose 1.6 million barrels, extending the buildup to the eighth straight week.

For gasoline, stocks could have risen 1.1 million barrels on average, the poll showed. That would be the fourth week of gains.

Industry group the American Petroleum Institute will release its inventory report for the week to July 16 on Tuesday at 2030 GMT, followed by government statistics on Wednesday at 1430 GMT.

STORM WATCH

Adding some more support for oil, a tropical wave centered around Puerto Rico had a 20 percent chance of becoming the next tropical cyclone of the Atlantic hurricane season in the next two days, the U.S. National Hurricane Center said late on Monday. The season lasts from June through November.

The Hurricane Center has forecast this year's Atlantic storm season may be the most intense since 2005, when hurricanes Katrina and Rita nearly paralysed the Gulf of Mexico U.S. oil industry for weeks, helping oil prices to gain.

"We are talking about one of the worst hurricane seasons, and if it's going to start, it's going to start shortly," McGuire said.

China overtook the United States last year to become the world's largest energy user, the Financial Times reported on Monday, citing the International Energy Agency. China's rise to the top ranking was faster than had been expected in part because the U.S. has outpaced China in improving energy efficiency measures over the past decade.

But a senior Chinese official on Tuesday questioned the IEA's conclusion that China had overtaken the U.S.

The IEA has had a relatively high estimate of China's energy consumption and carbon dioxide emissions, said Zhou Xian, spokesperson for China's top energy agency, declining to give alternative estimates.

Over the year, oil prices have stayed within a \$23 range, hitting a 19-month peak above \$87 and a trough below \$65, both in May.

Wall Street gains on Monday were limited by a drop in U.S. housing data showing cracks in the recovery of the world's largest economy as well as disappointing results from Texas Instruments and International Business Machines, which dragged equities lower in after-hours trade.

Physical buying spurs rebound in gold prices

Gold regained strength on Tuesday as jewellery makers resurfaced after the price dropped to its weakest in nearly two months, while investors looked to movements in other markets for further cues.

A drop in Japanese shares also spurred buying from speculators, who are keeping an eye on U.S. corporate earnings and Federal Reserve Chairman Ben Bernanke's comments on the economy on Wednesday. Silver and palladium firmed, but platinum tracked equities lower.

Spot gold added \$3.15 to \$1,183.50 an ounce by 0534 GMT after falling as low as \$1,177.15 on Monday, its lowest since late May.

"We've seen buying on the lower end, which helps push up the market a bit. There's a mixture of purchases from jewellers and other physical buyers," said a dealer in Hong Kong.

"Technically, the market is still a bit bearish but I think we are looking for a rebound after prices dropped below \$1,195. Investors are looking for fresh news because the euro zone has stabilised a bit," he added.

U.S. gold futures for August delivery added \$1.5 to \$1,183.4.

Cash gold and U.S. futures struck record highs in late June on worries the debt crisis in Europe would spread and the U.S. economy was slowing.

However, shares of the two companies fell after the bell on disappointing revenue. [.T] [.N]

Ong Yi Ling, investment analyst at Phillip Futures in Singapore noted that most companies had been reporting earnings for the upside, which should continue to reduce the safe-haven demand for gold.

"And of course, we have the bank stress test at the end of this week, so I think that would also be something that people would definitely monitor," she added.

Europe is assessing how 91 banks across 20 countries would cope with another economic downturn in an effort to restore confidence after Greece's sovereign debt crisis hit markets and sparked fears the euro zone could unravel.

The Committee of European Banking Supervisors (CEBS), which is overseeing the stress tests, said results would be released on an aggregated and bank-by-bank basis from 1600 GMT on Friday.

The dollar eased on Tuesday, inching closer to a two-month low versus the euro hit last week as investors continued to cut long positions on more disappointing U.S. economic data.

U.S. home-builder sentiment fell more than expected in July to the lowest level in more than a year after a popular homebuyer tax credit expired in April, the National Association of Home Builders said on Monday.

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