



Jackson House, 18 Savile Row, London W1S 3PW

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

e-mail: [trade@bfl.co.uk](mailto:trade@bfl.co.uk) web: [www.bfl.co.uk](http://www.bfl.co.uk)

## Daily Commodities Report 4<sup>th</sup> February 2010

### U.S. Jan oil demand down 2 pct from year earlier

\* China's 2010 oil demand growth to exceed 5 pct

Oil fell towards \$76 a barrel on Thursday as rising crude inventories in the United States signalled a rebound in U.S. economic activity was failing to translate into higher demand.

U.S. crude for March delivery declined 58 cents to \$76.40 a barrel at 0904 GMT, while London ICE Brent shed 59 cents to \$75.33.

A government report on Wednesday showed U.S. crude stockpiles rose by more than expected as imports jumped and refineries kept operating at unusually low rates.

Although manufacturing has picked up, U.S. demand for distillate fuel, including diesel, was more than 9 percent lower in January than last year, according to the U.S. Department of Energy.

U.S. oil refineries are now operating at just 77.7 percent of capacity, the lowest recorded level since 1990 barring hurricane disruptions.

"There was not much inspiring on the demand side, with total product demand down 2 percent from a year ago," MF Global analyst Edward Meir said. "We suspect that the bias in energy will be lower over the next two days, particularly if the dollar continues to regain its footing."

The dollar rose to a seven-month high against the euro on Thursday. Strength in the greenback often pressures dollar-priced commodities as they become more expensive for holders of other currencies.

### INDUSTRIAL DEMAND

Oil has rebounded by more than \$4 this week from a six-week low of \$72.43 on Jan. 29. But prices are still far from a 15-month high close to \$84 reached on Jan. 11 and well below the record peak close to \$150 in July 2008.

Employment data out in the United States on Friday is expected to provide the next indication of the pace of economic recovery.

Non-farm payrolls are expected to have increased by 8,000 in January, the second monthly gain since the recession started in December 2007, according to 20 forecasters polled by Reuters.

Some energy analysts remain upbeat that industrial demand for oil will soon recover, including Barclays Capital's Paul Horsnell, head of commodities research.

"The evidence of a recovery in manufacturing, better trucking indications and a slow turning of the manufacturing goods inventory cycle all still point to an improvement in diesel demand that will eventually percolate through to the data," Horsnell said in an e-mailed note.

State-owned Chinese oil firm CNPC expects China's crude oil imports to increase 9.1 percent to 212 million tonnes in 2010, or 4.24 million barrels per day, a company report showed on Thursday.

China's apparent oil demand will grow more than 5 percent to 427 million tonnes this year, or 8.54 million barrels per day (bpd), the report said.

### Focus on U.S. nonfarm payrolls, euro zone debt problems

\* SPDR Gold holdings ease a tad as market weakens

By Chikako Mogi

TOKYO, Feb 4 (Reuters) - Gold prices steadied around \$1,110 on Thursday amid caution ahead of Friday's U.S. jobs data that could further boost the dollar, undermining bullion's appeal as a currency hedge.

The greenback kept its firm tone on Thursday after climbing broadly the day before on improving U.S. jobs and industry data, while fears Portugal and Spain could join Greece as the next euro zone countries to face a debt crisis lifted the dollar against the euro.

The European Union vowed to hold Greece to an austere plan to tackle the most severe debt crisis in the single currency zone, but investor remained wary of more such problems.

"The dollar should be firm for a little while as problems in the euro zone spread from Greece to Portugal," making investors wonder if more countries might be exposed to similar fiscal issues, said Ronald Leung, director of Lee Cheong Gold Dealers in Hong Kong.

"We saw a correction from the highs yesterday as people want to wait for the nonfarm payrolls data. Liquidity is not enough," he said.

Spot gold inched down 0.1 percent to \$1,107.70 an ounce as of 0637 GMT, compared with New York's notional close of \$1,108.85. Spot gold rose to a peak of \$1,124.45 on Wednesday, its highest since Jan. 20.

U.S. gold futures for April delivery eased 0.4 percent to \$1,108.00 an ounce, compared with \$1,112 an ounce on the COMEX division of NYMEX.

The European Central Bank will likely keep interest rates unchanged at a policy meeting on Thursday, but the bank's future policy stance will also be a focal point in the market, Leung said.

Bargain hunters, particularly from China, are continuing to emerge and support the market's downside when prices fall below \$1,100 per ounce, Leung added.

Reflecting retail demand for the precious metal in the region, gold bars were sought in Tokyo at a premium to spot London prices, instead of at a discount as they have been in the past few months.

Market participants expected trading to remain lacklustre ahead of the Chinese Lunar New Year holidays.

Private U.S. employers reported the smallest payroll decline in nearly two years in January, while the vast U.S. services sector grew slightly, according to data released on Wednesday.

Signs that the pace of job losses is slowing could ease pressure on the government as it seeks to regain momentum ahead of Friday's more comprehensive nonfarm payrolls report, expected to show the economy added jobs last month.

A Reuters poll of economists gave a median estimate of 5,000 jobs added to U.S. nonfarm payrolls in January after a reported 85,000 job losses in December. Forecasts for January ranged from a loss of 97,000 jobs to growth of 100,000 jobs.

As the gold market weakened, holdings at the world's largest gold-backed exchange-traded fund, SPDR Gold Trust, eased 0.14 percent to 1,110.339 tonnes as of Feb. 3, down 1.583 tonnes from the previous business day. Its holdings had been unchanged for about two weeks.

But investment in precious metals remained generally firm.

ETF Securities said the total assets of its four U.S. precious metals exchange-traded products, namely physical gold, silver, platinum and palladium, now exceeded \$1 billion. The company launched a silver ETF, its first U.S. product, in July.

Futures, options and foreign exchange are high-risk areas of investment in which it is possible to lose in excess of your original deposit. You should only consider utilising such funds in these markets which you can afford to lose. The information and recommendations contained in this report are carefully researched but no guarantee, representation or warranty is made or responsibility or liability accepted to its accuracy or completeness. Any opinion expressed in this document is a matter of judgement at the time of writing and is subject to change without notice. For the purposes of the FSA, this communication has been labelled a 'Marketing Communication' and as such constitutes 'Non Independent Research' under the FSA rules. Berkeley Futures Limited, their associate companies and/or their clients, directors, employees and contributors may own or have a position in the derivatives mentioned and may add to or dispose of such derivatives. Please bear in mind that, before publishing a research recommendation, we may have acted upon it or made use of the information upon which it is based. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or sell any investment. Please note that trading in futures, options and foreign exchange may not be suitable for you. Foreign exchange is traded off-exchange where the risks differ from on-exchange transactions. If you are in any doubt please consult your financial adviser.