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 8th March 2010

Oil boosted by Stock Markets and Weaker Dollar

Oil extended gains toward $82 a barrel on Monday, buoyed by a weaker dollar and signs of an economic recovery in top oil consumer, the United States.

Traders and analysts say currency movements could dominate oil prices as demand strength stays unclear during the recovery.

The euro was higher on the U.S. dollar on Monday, edging up to $1.3635 from $1.3611 late in New York, helped at the margins by growing support for debt-laden Greece.

Crude for April delivery rose 48 cents to $81.98 a barrel by 0306 GMT. On Friday, it rose as high as $82.07, the highest since $82.34 marked on Jan. 12.

London Brent crude was up 51 cents at $80.40.

New York crude has traded in a range of $69 to $84 over the past few months amid uncertainty about the speed of the global economic recovery.

"In the past few days, market moves have been led by technicals," said an analyst at Mitsubishi Corp Futures & Securities in Tokyo.

"Now that $80 or higher is here to stay, we are seeing an influx of speculative money from the funds and others."

Money managers extended their net long crude oil futures position on the New York Mercantile Exchange in the week through March 2, the Commodity Futures Trading Commission said on Friday. The key speculator group hiked net long positions to 144,058 during the week, up from 132,504 in the week to Feb. 23.

Oil also got support from higher Asian shares. Japan's Nikkei and South Korean shares rose more than 1 percent, boosted by Friday's better than expected U.S. jobs data, with exporters gaining on a weaker yen and resource-linked firms up on gains in commodities prices.

In a bid to calm markets, French President Nicolas Sarkozy promised Greece on Sunday that euro zone countries would help it overcome its financial problems and vowed a crack down on financial speculators Athens blames for its woes. On Wall Street, bulls may get more room to run this week on the anniversary of the March 2009 lows -- if U.S. stock investors see more signs of stability after Friday's rally on smaller-than-expected job losses.

Ecuador's oil minister Germanico Pinto told Reuters on Friday there was no need for an output cut at OPEC's March 17 meeting in Vienna and that crude prices were "relatively stable".

Pinto, who holds the rotating presidency of the Organization of Petroleum Exporting Countries this year, said there was no plan to cut back production at the meeting.

Oil producers are pumping more crude than consumers need but the oversupply is insufficient to have a big impact on the market, Iran's OPEC governor said on Sunday.

Oil market participants were also paying attention to the election in Iraq. Bomb blasts and rocket and mortar fire killed 38 people as Iraqis voted on Sunday in an election they hoped would distance their nascent democracy from years of sectarian slaughter as U.S. troops pack up to leave.

Gold Euro price at new high

Gold ticked higher on Monday after a firmer euro spurred bargain hunting from investors seeking a safe haven from volatile currencies, while palladium held near its strongest level in nearly two years.

A steady increase in ETF holdings showed a growing interest in bullion but the physical market was muted in Asia, with dealers reporting persistent sales of scrap from Indonesia. Gold priced in euro was within sight of Friday's record.

Gold was at $1,135.90 by 0658 GMT, up $2.10 from New York's notional close on Friday, when bullion in euro terms jumped to a record of 838.26 euros on buying driven by a sovereign debt crisis in Greece.

But a slow physical market could also curb gains, with dealers reporting a pick up in sales from Japanese speculators that forced trading houses to offer gold bars at a discount for the first time in two months.

"We started on a weaker note but the market then recovered because of a firmer euro. It's sporadic buying, although I don't think it's coming from the physical market," said a dealer in Hong Kong, referring to gold jewellers.
"People think the price of palladium is cheaper than the other industrial metals, that's why the price has gone up. Also, palladium is a very thin market. It's driven by fund buying because fundamentals are good."

Palladium rose $2 to $473 an ounce, having risen to around $475 on Friday, its strongest since June 2008, on optimism about global autocatalyst demand and possible near-term tightness.
"We've been seeing good demand from the autocatalyst sector recently. People have shifted to using more palladium in diesel and gasoline engines, and the price is cheaper than platinum," said a dealer in Tokyo."The industry has used up the stocks they bought in 2008 before the credit crunch," said the dealer, referring to turmoil in the financial markets that pummelled the auto sector.
Sister metal platinum hit an intraday high of $1,587.50 -- its strongest since early February.
The euro rose 0.4 percent to $1.3681 helped at the margins by growing support for debt-laden Greece. A firm euro helped push up gold prices to a 6-1/2-week high around $1,144 an ounce in early March. In a bid to calm markets, French President Nicolas Sarkozy promised Greece on Sunday that euro zone countries would help it overcome its financial problems and vowed a crack down on financial speculators Athens blames for its woes.
U.S. gold futures for April delivery was unchanged at $1,135.2 an ounce.
Jewellers were on the sidelines in Asia, and demand from main consumer India has yet to pick up ahead of April's busy wedding season.
"Physical markets are still lacklustre with limited buying emerging on dips below $1,100," said an analyst at Richcomm Global Services. 'What we understand from the steady feedback from the jewellery industry is that this rise isn't in any way due to jewellery-related buying,' he added.

Jobs data boosts copper

Copper edged higher on Monday, building on gains last week, as better-than-expected jobs data boosted hopes of recovery in the United States, the world's largest economy and a major consumer of industrial metals.

Expectations that Chinese demand will remain sturdy, after the country signalled it would maintain its economic stimulus measures, also aided prices ahead of a slew of China data due out this week.

Demand from China pushed copper prices more than 140 percent higher in 2009.

"There's certainly some positive sentiment helping the base metals at the moment, and prices did draw some support from the relatively favourable data that we saw out of the U.S.," said David Moore, commodity strategist at Commonwealth Bank of Australia.

U.S. employers cut fewer jobs than expected during snow-battered February and the unemployment rate held steady at 9.7 percent, bolstering views the economy was on the brink of creating jobs

Shanghai's third-month copper rose 730 yuan to 60,480
yuan ($8,860) a tonne at the close, after gaining 3 percent last week.

Chasing copper's rise, Shanghai zinc jumped 3.3 percent to 19,045 yuan, near its ceiling of 19,175 yuan for the day.

Three-month copper on the London Metal Exchange ticked up $30 to $7,575 a tonne at 0701 GMT, adding to Friday's $175 gain.

The metal surged nearly 5 percent last week due to initial supply worries fuelled by a massive earthquake at top producer Chile which have since dissipated after key mines resumed operations.

This week, all eyes will be on China economic data, including February trade figures which should include preliminary copper import numbers.

"I expect China's demand for base metals will remain strong this year. But I think January and February can be quite a difficult period for copper imports because you've got the Chinese New Year holiday affecting the pattern there," Moore said.

"Overall the Chinese economy should continue to grow strongly even though Chinese authorities want to ensure it doesn't generate inflationary pressures."

Chinese Premier Wen Jiabao said on Friday the country would stick to an appropriately easy monetary stance and an active fiscal policy, suggesting China's demand for raw materials will remain high.

"We retain our bullish short-term view of copper, with the price expected to move above $8,000/tonne over the next 2-3 months on strong Chinese demand and improving demand outside of China," Macquarie said in a note.

"In Europe and the U.S. in particular, we have seen a sharp rise in cancelled warrants over the past two weeks, with the rise in cancelled warrants in Europe lining up with stronger physical premiums and reports of improving demand in the region," it added.
Base metals prices at 0701 GMT

Grains higher on weaker dollar

Chicago wheat futures edged higher on Monday as a weakening dollar prompted investor buying, while corn and soybeans firmed amid concerns over rains delaying fieldwork in the U.S. Midwest.

Wheat futures , which have been weighed down by burdensome global supplies, will probably come under additional pressure after sliding below the 10-day moving average last week, analysts said.

"For wheat, fundamentals are soft and I just can't see any rallies being sustained. There is probably more downside for wheat in the short- to medium-term," said an analyst at CWA Global Markets in Sydney.

"Wheat is certainly below its recent trading range, which has inspired some technical selling as well." Wheat's moving average convergence/divergence is in the process of crossing, indicating a bearish trend for wheat prices.

Investors eyed weather in the U.S. Midwest, where rains forecast this week may cause flooding in fields that have already been saturated by melting snow.

"A turn to wet weather this week will slow early spring fieldwork and could initiate some flooding due to snowmelt and saturated soils," said Mike Palmerino, a forecaster at Telvent-DTN Weather.

Heavy snowfall across much of the United States this winter has raised the risk of springtime floods and planting delays.

Planting in the core corn and soybean states, such as Iowa and Illinois, typically does not begin until mid-April, but grain traders are already starting to monitor long-term weather outlooks.

CBOT corn for May delivery rose half a percent to $3.77- a bushel and May soybeans gained 0.3 percent to $9.45- per bushel.

There is a good chance the May soy contract will drop enough to test the psychologically important $9-per-bushel mark this week. Traders and analysts point to a bearish flag in the charts for May soybeans, which closed below the 40-day moving average on Friday.

"For soybeans, we are looking at very healthy crops from South America, which should continue to pressure Chicago prices," said Hassall.

The weather in Brazil and Argentina, the world's second- and third-largest soybean producers and exporters after the United States, is forecast to be warm and dry during the next seven days, helping crops to mature.

Good crop weather has bolstered corn and soybean output in the two countries, although overly wet conditions in recent weeks have delayed harvest at times and raised some disease concerns.

Closely watched analytical firm Informa Economics upgraded its Argentine soybean and corn crop projections on Thursday, while Argentina's Rosario Grains Exchange raised its corn harvest outlook on Friday.

A MEMBER OF THE LONDON STOCK EXCHANGE
A MEMBER OF THE FUTURES AND OPTIONS ASSOCIATION
AUTHORISED AND REGULATED BY THE FINANCIAL SERVICES AUTHORITY
Registered Office: 180 Wardour Street, London W1F 8LB Registered in England 1969442