COMMERZBANK

Commodity Spotlight Base Metals

9 December 2013

Revival of global economy will support prices in 2014

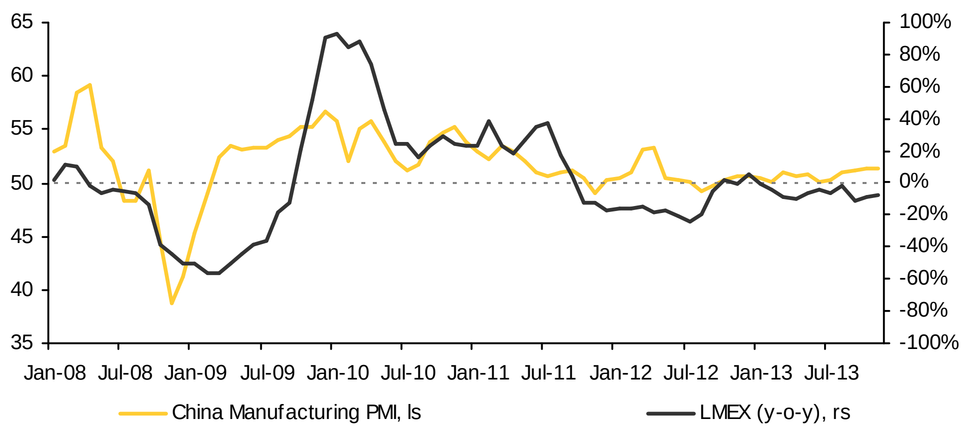
After 2013 has turned out to be a year of considerable losses, metals should be able to pick up again moderately next year. For one thing, the global economic recovery we envisage should result in reviving demand, China remaining the key driver of demand despite enjoying weaker growth. And for another thing, our opinion is that market estimates of supply are excessive in the case of some metals, and that this is not yet reflected in prices.

Unless some kind of miracle happens, metal prices will end the year 2013 significantly down, the losses having been incurred in the first half of the year. Essentially, there were two reasons for this: firstly, China presented disappointingly weak economic data after the new Chinese government headed by President Xi Jinping and Premier Li Keqiang placed the focus for the country's future economic growth on sustainability. What is more, concerns about the Chinese banking system arose for a time after interbank repo rates skyrocketed to above 11% in the space of just a few weeks in June. Secondly, a discussion began about the fact that the US Federal Reserve might already begin scaling back its bond purchasing programme in the near future. This also put metal prices under pressure even though they hadn't previously profited from "QE3".

Although the situation brightened in the second half of the year, this resulted in metals making only a moderate recovery which from August dwindled to a sideways trend that is continuing to this day. Recently, however, metals threatened to fall out of this trend. The biggest obstacle to any upward trajectory was the long-simmering budgetary dispute and the fact that the debt ceiling was almost reached in the US. Even now, these potential flash points have yet to be extinguished once and for all. Positive – and in some cases surprisingly good – economic data in China, the US and Europe merely prevented any sharp fall in metal prices but lent them virtually no buoyancy. While in mid-November for example the equity markets celebrated the announcement of detailed reform plans in China to liberalize, among other things, the financial markets and land acquisition regulations and to relax China's one-child policy, metal prices did not respond at all. We believe there is catch-up potential here (Chart 2, Page 2).

Some of the factors we have seen this year will also influence prices next year. Right at the start of the year, the budgetary dispute in the US is likely to flare up again, for the transitional budget agreed at the eleventh hour between Republicans and Democrats only remains in force until 15 January. If no long-term solution is found by then, we risk seeing yet another government shutdown. The debt ceiling has been suspended until 7 February. If no sustainable solution is found to this problem, the US once again faces the risk of insolvency. Not least because of this, the US Fed will probably continue its bond

CHART 1**: Robust Chinese economy should lend support to metal prices**



Source: LME, Bloomberg, Commerzbank Corporates & Markets

Commerzbank Forecasts 2014

	Q1	Q2	Q3
Base metals			
Copper	7150	7500	7800
Aluminium	1750	1825	1900
Nickel	13550	13950	14350
Lead	2125	2175	2250
Zinc	1900	1950	2025
Tin	22800	23300	23900

US$ per mt

Head of Commodity Research
Eugen Weinberg
+49 69 136 43417
eugen.weinberg@commerzbank.com

Analyst
Carsten Fritsch
+49 69 136 21006
carsten.fritsch@commerzbank.com

Analyst
Barbara Lambrecht
+49 69 136 22295
barbara.lambrecht@commerzbank.com

Analyst
Michaela Kuhl
+49 69 136 29363
michaela.kuhl@commerzbank.com

Analyst
Daniel Briesemann
+49 69 136 29158
daniel.briesemann@commerzbank.com

Fed will continue its bond purchasing programme unchanged for the time being

purchasing programme in unchanged form. Furthermore, the designated new Fed Chair, Janet Yellen, stated in mid-November that the US economy needs to make a strong recovery before the Fed will begin reducing its bond purchases. Our economists believe that the Fed will start reducing its ultra-expansionary monetary policy in March/April. That said, any probable negative effects of this step should in our view be fairly limited and only short-lived because they are largely expected by the market and for the most part already priced in, which means they should no longer come as any surprise.

Reform measures in China at the cost of growth

Metal markets are likely to be affected throughout the year (and indeed beyond) by the reforms decided upon in China in mid-November. According to our economists, China will probably implement the more pressing and/or less complicated reforms first, such as the liberalization of the financial market. Ultimately, the reforms will generally slow growth in China because they will reduce investment. Essentially, investment will drop for the following reasons: 1) Fewer land sales means that local authorities will have fewer financial resources at their disposal. 2) The deregulation of interest rates increases the costs of borrowing. 3) State-owned companies will have to pay higher taxes to the government. This is already taken into account in the 7.5% GDP growth that our economists forecast for next year (Chart 3). They believe this figure will only need to be revised if interest rates in China rise sharply and lastingly above their current level.

Strong GDP growth in the US, slight recovery in Europe

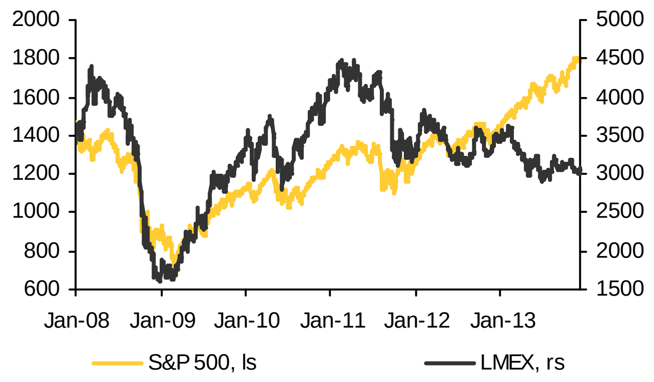
Our economists predict noticeably stronger GDP growth of 2.8% for the US next year, fiscal policy having significantly slowed the US economy in 2013. After all, great progress has been made with reducing the economic imbalances: there are hardly any cases now of too many unsold properties, consumers have lowered their debt to acceptable levels, and the federal budget deficit has likewise been significantly reduced. No further fiscal braking measures are therefore likely, assuming a political agreement is reached on the budget dispute and debt ceiling question. The eurozone economy has come through the recession, and the sovereign debt crisis should be a thing of the past once and for all. Nonetheless, the upswing is likely to prove only modest – our economists anticipate growth of 0.9% in 2014.

Appreciating US dollar poses risk

The US dollar could prove to be one risk factor for the metal price rises we still expect to see: after all, the US currency should appreciate against the euro during the course of the year, amongst other things as a result of the Fed scaling back its bond purchasing programme. By the end of 2014, our currency experts see a EUR/USD exchange rate of 1.28. We have taken this into consideration in our forecasts.

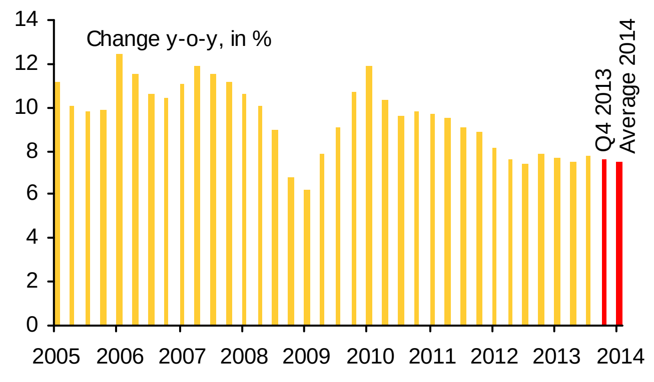
Next we will turn our attention to the individual metal markets, basing our comments among other things on the statements we made in our "Commodity Spotlight Base Metals" dated 23 October. Generally speaking, the brighter economic outlook should contribute to higher demand for metals. In some cases, however, an expansion of supply should be able to compensate fairly easily for any increase in demand.

CHART 2: **Metals uncoupled from equities in 2013**



Source: S&P, LME, Bloomberg, Commerzbank Corporates & Markets

CHART 3: **Only gradual cooling in China**



Source: NBS, Bloomberg, Commerzbank Corporates & Markets

Increased supply of copper concentrate and refined copper …

Copper: In all likelihood, the global copper market should be characterized by surpluses next year, for the International Copper Study Group (ICSG) estimates that global mining production will grow by 4.5% next year, having already been stepped up noticeably this year. The production of refined copper should also pick up accordingly (Chart 4) because the high treatment and refining charges (TC/RCs) – generated by the plentiful supply of copper concentrate – will serve as an incentive for smelters to utilize their capacities to the fullest possible extent. In November, the world's largest exchange-traded copper producer, Freeport McMoRan, agreed with the largest Chinese copper smelter, Jiangxi Copper, on treatment and refining charges of $92 per ton, i.e. 9.2 US cents per pound, for 2014. TC/RCs are thus 31% up on the year-on-year figure. This agreement was also viewed as a benchmark for other contracts. As a rule, the greater the available supply of copper concentrate, the higher the charges.

… but supply estimated at too high a level

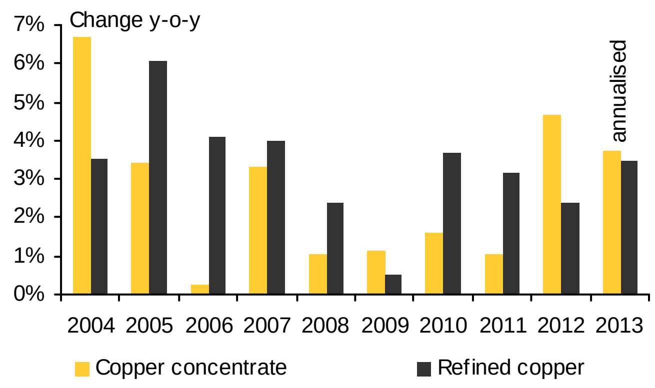
However, because there were a number of problems this year when it came to commissioning new projects – the most prominent example being the Oyu Tolgoi mine in Mongolia – we believe the supply surplus of 387 thousand tons envisaged for 2013 by the ICSG is pitched too high. According to figures from the World Bureau of Metal Statistics (WBMS), after all, a surplus of "only" 163 thousand tons was built up in the first nine months of the year. The ICSG itself even reported a seasonally-adjusted surplus of just 76 thousand tons from January to August. Because some of the problems are likely to continue into next year, we believe the 632 thousand ton surplus predicted for 2014 is also too high. Furthermore, copper prices are currently at a low level, which makes commissioning new mining projects unattractive. At prices of below $7,000 per ton, hardly any new projects are likely to be approved. Leading mining companies tend to estimate the supply surplus at around 200-400 thousand tons. According to state research institute Antaike, China looks set to see a supply deficit of 1.9 million tons next year – which is somewhat higher than this year – despite a sharp increase in production. Codelco, the world's largest copper mining producer, is thus planning to raise the premiums for copper shipped to China by 41% to $138 per ton in 2014. Premiums on shipments to Europe have already been hiked by 32%.

Robust demand growth thanks to China

The higher premiums could also be viewed as an indication of robust demand. Driven by China, the ICSG anticipates global copper demand growing by 4.4% next year. For China itself, Antaike envisages 6.5% higher demand. This will be driven by continued urbanization, which means copper will be needed in electronic applications and for power cables and other infrastructure. To satisfy domestic demand, China is heavily reliant on imports: so far this year, around 373 thousand tons of copper have already been imported on average per month (Chart 5). We also expect to see imports continuing at a high level next year.

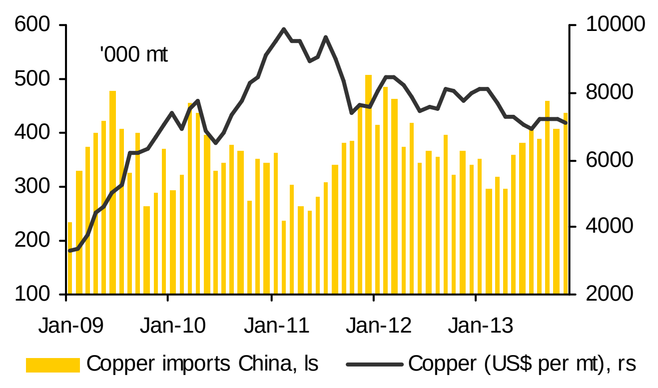
In our opinion, the market is taking a rather optimistic view of supply, meaning there is potential for disappointment here. This is not yet priced in. Furthermore, demand should pick up noticeably assuming that the global economy gathers pace again. We expect an average copper price of $7,600 per ton next year.

CHART 4: **Copper production further expanded**



Source: WBMS, Bloomberg, Commerzbank Corporates & Markets

CHART 5: **Chinese imports settle at high level**



Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

High surplus remains in place because of Indonesia

Nickel: The world's leading nickel producers, such as Norilsk Nickel from Russia and the Brazilian company Vale, anticipate a global nickel market surplus in 2013 in the order of 130-150 thousand tons. This tallies with the estimate of the International Nickel Study Group (INSG). Next year, the surplus is likely to be reduced only slightly – if at all. After all, Indonesia plays an important role in supply, and the planned ban on ore exports is due to come into effect there from 13 January. Ahead of the ban, the South-East Asian country has already exported considerable more nickel ore than last year – according to market estimates, exports could total as much as 60 million tons in 2013 – and has thus contributed to the expansion of the supply surplus on the world market. Meanwhile, many market participants anticipate that the export ban will be relaxed somewhat, meaning that Indonesia may well export a lot of nickel next year too. Indonesia is one of the countries with the highest nickel reserves – and they are also very high-grade.

Further rise in NPI production

The recent sharp increase in nickel pig iron (NPI) production in China also contributed to the massive expansion of supply. According to Antaike's latest estimates, NPI production this year could reach a level of 478 thousand tons, 33% higher than last year. Nickel pig iron has thus evolved in recent years to become a key supply component on the nickel market; according to Norilsk Nickel, it could account for around 23% of total nickel supply in 2013. What is more, Antaike is confident that the upswing in NPI production will continue next year.

High stocks in LME warehouses and in China

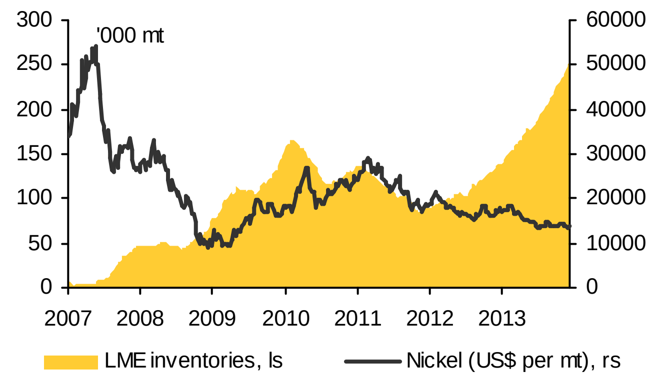
Because supply has continuously surpassed demand in the past 24 months, considerable stocks have accumulated. In the past two years, LME nickel stocks for example have tripled to around 250 thousand tons (Chart 6). According to industrial sources, a further 140 thousand tons of refined nickel and possibly as much as 30 million tons of nickel ore have been stockpiled in China. The latter was imported to China, despite it being more than the country needed, ahead of the expected Indonesian export ban, Indonesia being China's main supplier. Figures from the customs authorities show that nickel ore imports into China totalled nearly 57 million tons in the first ten months of this year (Chart 7).

Almost half of producers non-profitable

At prices below $14,000 per ton, Norilsk Nickel estimates that 35% of nickel producers worldwide can no longer operate at a profit, and that a further 15% are operating at the loss threshold. This does not necessarily have to result in production cuts, however. For one thing, shutdown costs are relatively high, according to industrial sources, and for another many producers still have the potential to cut their costs by making efficiency improvements or by switching to different production technologies. Even if some high-cost capacities are withdrawn from the market, this is likely to be offset – at least in part – by newly commissioned plants and mines.

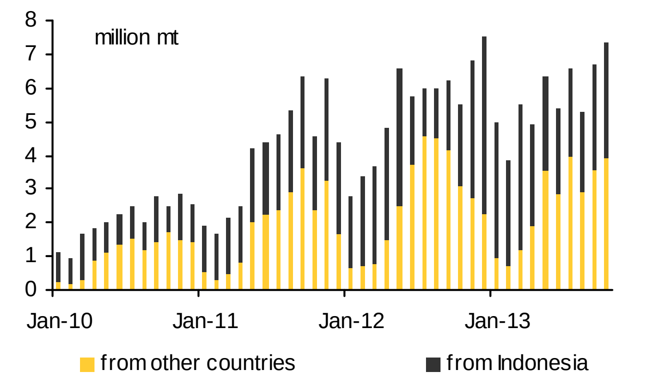
Despite an increase in nickel demand – the INSG envisages a 4.5% rise in 2014 – we believe that the high supply surpluses will remain in place on the global nickel market in the next few years. Assuming there are no sweeping capacity shutdowns and Indonesia continues to export large quantities of nickel next year, the nickel price is not likely to make any significant gains. We envisage an average nickel price of $14,100 per ton in 2014.

CHART 6: **Rapid increase in nickel stocks**



Source: LME, Bloomberg, Commerzbank Corporates & Markets

CHART 7: **High Chinese nickel ore imports ahead of Indonesian export ban**



Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

Production steadily expanding despite high losses

Aluminium: The situation is unlikely to change much on the global aluminium market next year. In other words, the market should continue to exhibit high overcapacities, particularly because of China. Despite high production losses China still appears to be expanding its production undeterred. According to the International Aluminium Institute (IAI), in October alone, almost 2 million tons of aluminium were produced as new smelters went into operation in western provinces of the country – a record figure (Chart 8). Admittedly, some expensive production capacities in China have been shut down in the meantime – this has been more than offset by new smelters in cheaper regions, however. This trend should also continue next year. Thanks to a variety of incentives and lower energy costs, a total of 3-4 million tons' worth of new capacities look set to be installed in the western regions. Production is also being noticeably stepped up in the Middle East. In Abu Dhabi, for example, one of the world's largest aluminium smelters is currently being built with an annual production capacity of 1.3 million tons. Part of the facility has already been in operation since September. According to figures from the WBMS, the global aluminium market already exhibited a surplus of a good 1.2 million tons in the first nine months of 2013 (Chart 9). This is also reflected in stock levels, which on the LME continue to find themselves close to the record high of 5.5 million tons registered in July.

Up to 70% of worldwide production is unprofitable

According to Chinese data supplier Shanghai Metals Market (SMM), however, the marginal costs of production in China are still around $2,500 per ton, which is well in excess of current prices. At the end of November, the production losses in China averaged nearly $140 per ton. According to industrial sources, roughly half of global aluminium production is unprofitable at prices of $2,000 per ton – this proportion even rises to approximately 70% at prices below $1,800 per ton.

Continued robust demand growth

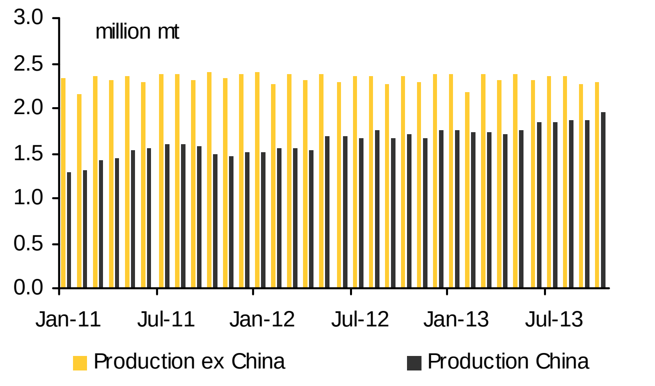
Driven by China, global aluminium demand also looks set to grow by 5-6% next year. Playing their part in this will be the anticipated recovery of the global economy in general and robust demand from various industries in particular. The transport and construction sector is worthy of particular mention in this context. In China itself, aluminium demand is likely to gain by around 8% in 2014, underpinning the country's dominant position on the demand side too.

Changes to LME regulations from 1 April

Furthermore, aluminium is likely to be the metal that is most influenced by the forthcoming changes to the LME's regulations. In early November, the LME had published details of its new regulations governing withdrawals from warehoused stockpiles. Under the new rules, warehouses with waiting times in excess of 50 calendar days will be required to ship out metal every day exceeding the amount they take in by at least 1,500 metric tons. The changes will come into effect on 1 April 2014. We believe that the introduction of the new LME regulations could cause the still high physical premiums to fall considerably, though it remains to be seen how long this will last. After all, this would require the forward curve to flatten noticeably, thereby making financial transactions unattractive.

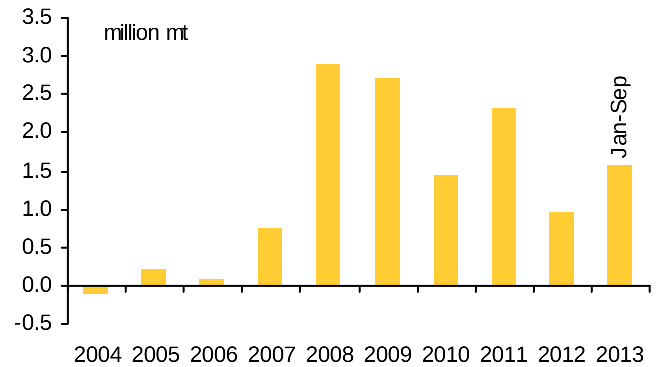
Many producers are being kept alive artificially by high physical premiums and subsidies (e.g. for electricity) in some places, which makes the urgently needed reduction of surpluses difficult. Nonetheless, we believe production cuts are inevitable, as producers cannot continue to bear the losses unlimitedly. In the long term, the production costs should serve as a lower limit for the prices. We expect to see an average aluminium price of $1,850 per ton next year.

CHART 8: **China continuously expands production**



Source: IAI, Bloomberg, Commerzbank Corporates & Markets

CHART 9: **Surpluses on aluminium market for years**



Source: WBMS, Bloomberg, Commerzbank Corporates & Markets

Some major zinc mines exhausted

Zinc: Like with copper, we believe that the International Lead and Zinc Study Group (ILZSG) may have pitched its estimate of a 115 thousand ton supply surplus on the global zinc market next year too high given that a number of large-scale zinc mines are nearing or have indeed reached their end-of-life. These include for instance the Brunswick and Perseverance mines in Canada, which were shut down in recent months. In Ireland, Lisheen mine will be gradually decommissioned during the course of next year – and last but not least, Century mine in Australia, one of the world's biggest zinc mines of all, will be reaching its end-of-life in 2016.

Current prices make commissioning of new projects unattractive

Although production costs, estimated at just below $1,700 per ton, are below the current zinc price, considerably higher prices are probably needed for new mining projects to be commissioned. According to industrial sources, a price of approx. $2,200 per ton is needed to ensure an economically viable launch. Many companies are therefore reluctant to initiate new projects at present. Most of the projects started recently are smaller in nature, and will still take many years before they are ready to begin production. In other words, the closure of major mines can only be partially offset by the commissioning of new mines; as a result, mining company MMG Ltd., which runs the Century mine, estimates that supply to the tune of around 1 million tons will be stripped from the global zinc market in the next few years.

Demand still very strong

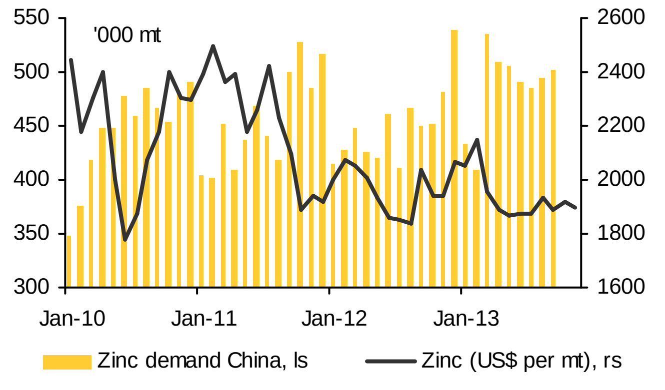
The market is tightening not only because of supply, however – it is also being affected by the demand side (Chart 10). The ILZSG expects global zinc demand to grow by 5% next year, particularly because of China, where demand is set to expand by 7%. Antaike is somewhat more pessimistic, though it still believes Chinese demand will increase by 5%. The galvanization of steel remains the key driver here, and is set to account for 56% of total zinc demand. So far this year, more than 3.5 million tons of galvanized steel have been manufactured in China on average each month, a good 12% up on last year. In addition, the construction sector and the automotive industry are contributing to the higher demand. Part of China's zinc demand is covered by imports, which according to Antaike are set to total around 500 thousand tons in 2014, as was also the case in recent years.

The zinc price should be well supported in view of the tightening of the global zinc market. We therefore envisage a price rise to an average $2,000 per ton next year.

Production outages in the US and declining dynamism in China

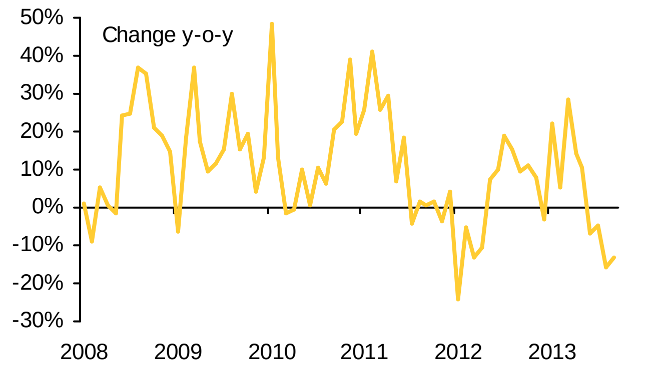
Lead: As already announced in October, the ILZSG expects to see a supply deficit on the global lead market again in 2014 for the first time in five years. Although the deficit looks set to be fairly moderate at 23 thousand tons, it still sends a clear signal to the market. Since lead is often mined together with zinc, lead mining supply is also limited due to the shutdowns described above. What is more, there are currently unplanned production outages in a large battery recycling factory in the US, the world's second-largest lead producer after China. Another lead smelter there, which has a production capacity of 220 thousand tons per year, is also due to be shut down by the operator in December as a result of tighter environmental regulations imposed by the US Environmental Protection Agency (EPA). In China, too, the trend towards steadily and sharply growing lead production that has been seen in recent years appear to be coming to an

CHART 10: **High Chinese zinc demand thanks to low prices**



Source: WBMS, Bloomberg, Commerzbank Corporates & Markets

CHART 11: **Recent sharp fall in Chinese lead production**



Source: Antaike, Bloomberg, Commerzbank Corporates & Markets end. This year, a good 400 thousand tons of lead per month have been produced on average there so far this year, which is 5% down on last year (Chart 11, Page 6). For the most part, this is doubtless due to the forced closure – required by the country's Ministry of Industry and Information Technology – of a good 800 thousand tons p.a. of outdated smelting capacities.

Robust demand growth thanks to high battery production

The closure of smelting plants in the US is likely to spark increased US demand for refined lead on the world market and thus to be reflected accordingly in higher imports (Chart 12). Besides the US, China is likely to underpin its dominant role on the demand side. As automotive and e-bike production is expanded – both of which require lead batteries – the ILZSG anticipates that Chinese lead demand will gain by more than 7% next year.

In our opinion, the global lead market is the tightest of all the metal markets. Supply is likely to remain tight for the foreseeable future, which should lend good support to the price. We see lead next year at an average price of $2,225 per ton.

Supply noticeably tightened by new regulations in Indonesia

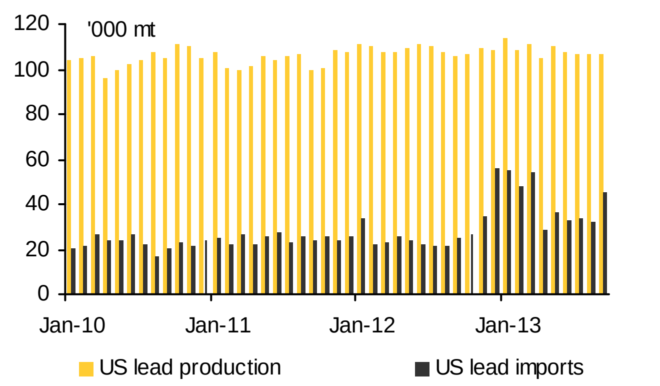
Tin: As with nickel, Indonesia also plays a key role on the global tin market, for the South-East Asian country is the world's biggest tin exporter and the main supplier of the world market. As may well happen with nickel next year, new regulations this year have noticeably put the brakes on the tin supply flow. After a long period of preparation, a new regulation came into force on 1 September, under the terms of which tin has to be traded on the Indonesia Commodity and Derivatives Exchange (ICDX) in Jakarta before it is allowed to be exported. With this measure, Indonesia wants to displace the London Metal Exchange as the venue for setting tin benchmark prices. Market participants have to be licensed in order to trade there, however, and because licenses are only issued at a rather sluggish pace, Indonesian tin exports collapsed in September to just 786 tons. In October and November, they had at least reached 4,070 tons and 5,193 tons respectively again. The International Tin Research Institute (ITRI) estimates that Indonesia needs to export around 8,000 tons of tin per month for supply and demand to be balanced on the world market.

Deficit likely to increase in 2014

The number of members on the ICDX is likely to grow gradually over the next few months, which should also result in higher trading volumes and, ultimately, exports. It is likely to take some months yet for exports to regain their previous levels, however. According to the WBMS, the supply deficit was nearly 3 thousand tons between January and September (Chart 13). The market should remain in deficit next year too. ITRI estimates the supply deficit on the global tin market at 7.4 thousand tons this year. It should widen to 12.4 thousand tons next year.

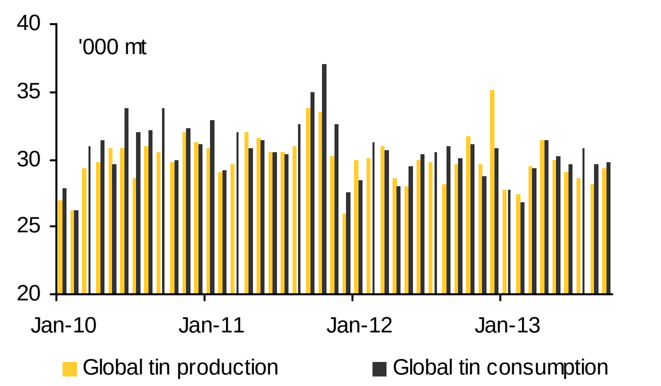
What is more, PT Timah, the largest Indonesian tin producer, had announced at the end of November that Indonesia's total tin production in 2014 could be as little as 50-60 thousand tons – a decline of at least 25% as compared with 2013. There is much to suggest that prices will be higher next year. In our view, tin should cost $23,600 per ton on average in 2014. Any significant fall in price should be precluded by the costs of production, which according to the Indonesian Tin Mining Association average $22,000 per ton. Below this level, we are likely to see temporary production shutdowns, as was already the case in 2013.

CHART 12: **US lead production stagnant, imports pick up**



Source: WBMS, Bloomberg, Commerzbank Corporates & Markets

CHART 13: **Tin demand increasingly exceeds supply**



Source: WBMS, Bloomberg, Commerzbank Corporates & Markets

At a glance

TABLE 1: **Our forecasts**

		Current									Yearly average		
	Unit	09.12.	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	2013	2014	2015
Copper	US$/ton	7117	7150	7500	7800	8000	8150	8250	8350	8500	7336	7600	8300
	USc/pound	323	324	340	354	363	370	374	379	386	333	345	376
Aluminium	US$/ton	1793	1750	1825	1900	1950	2000	2050	2050	2100	1885	1850	2050
	USc/pound	81	79	83	86	88	91	93	93	95	86	84	93
Lead	US$/ton	2110	2125	2175	2250	2325	2400	2450	2450	2500	2149	2225	2450
	USc/pound	96	96	99	102	105	109	111	111	113	97	101	111
Tin	US$/ton	23227	22800	23300	23900	24350	24750	24900	25150	25400	22287	23600	25100
	USc/pound	1054	1034	1057	1084	1104	1123	1129	1141	1152	1011	1070	1139
Zinc	US$/ton	1923	1900	1950	2025	2100	2150	2200	2200	2250	1931	2000	2200
	USc/pound	87	86	88	92	95	98	100	100	102	88	91	100
Nickel	US$/ton	13915	13550	13950	14350	14550	14900	15050	15300	15550	15058	14100	15200
	USc/pound	631	615	633	651	660	676	683	694	705	683	640	689

*Quarterly averages, 3months contracts (LME) (*previous day) Source: Commerzbank Corporates & Markets, Bloomberg*

TABLE 2: **Inventories**

	current	1 day	1 week	1 month	1 year	52 week high	52 week low
Aluminium LME	5451375	-0.2%	-0.6%	1.8%	5%	5486100	5138775
Aluminium Shanghai	199722	-	1.4%	-5.0%	-57%	509988	192751
Copper LME	408100	-0.7%	-3.6%	-13.0%	59%	678225	259050
Copper COMEX	18139	-1.9%	-6.8%	-29.8%	-73%	86175	17787
Copper Shanghai	141533	-	-4.8%	-20.6%	-29%	247591	141533
Lead LME	227925	-0.4%	-1.4%	-2.6%	-36%	354925	180425
Lead Shanghai	88626	-	0.9%	2.4%	57%	140750	65678
Nickel LME	253068	0.0%	0.4%	5.4%	83%	253068	137388
Tin LME	10550	0.0%	-3.0%	-12.6%	-7%	15440	10550
Zinc LME	941850	-0.5%	-2.4%	-7.7%	-24%	1231125	937150
Zinc Shanghai	228058	-	-1.5%	-6.5%	-25%	329404	228058

Source: Bloomberg, Commerzbank Corporates & Markets

TABLE 3: **History**

	current	Percentage change				Historical development							
	US$/mt	1 week	1 month	ytd	1 year	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13
Aluminium	1793	2.9	-1.2	-13.5	-14.4	2219	2018	1954	2022	2039	1871	1828	1801
Copper	7117	2.0	-0.7	-10.3	-11.4	8327	7829	7732	7925	7954	7187	7104	7099
Nickel	13915	3.0	0.0	-18.4	-19.2	19724	17220	16424	17043	17370	15024	14025	13811
Zinc	1923	2.4	1.0	-7.6	-5.2	2042	1932	1909	1983	2054	1876	1897	1898
Lead	2110	2.1	-1.4	-9.4	-4.7	2118	1985	1995	2205	2306	2066	2117	2108
Tin	23227	3.2	1.6	-0.7	6.7	22995	20580	19324	21592	24065	20936	21327	22820

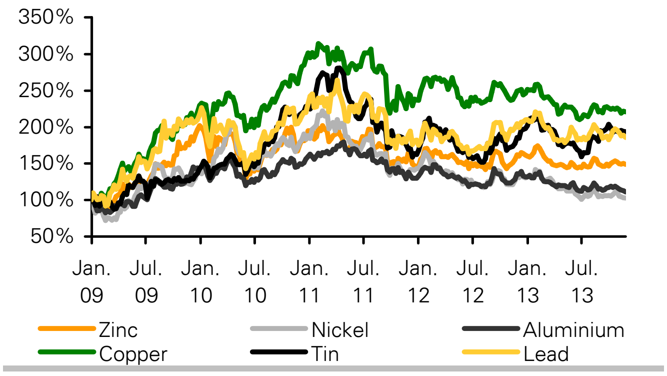
Source: Bloomberg, Commerzbank Corporates & Markets

TABLE 4: **Upcoming events**

10.12. / 14.01.	CHN	Industrial Production & Fixed Assets Investments, November / December
16.12.	CHN	HSBC Flash Manufacturing PMI, December
16.12. / 17.01.	USA	Industrial Production, November / December
18.12. / 17.01.	USA	Housing Starts & Building Permits, November / December
24.12. / 28.01.	USA	Durable Goods Orders, November / December
01.01.	CHN	Manufacturing PMI, December
02.01.	USA	ISM Manufacturing, December
08.01.	CHN	Imports & Exports, December
14.01.	CHN	GDP 4Q 2013
30.01.	USA	GDP 4Q 2013

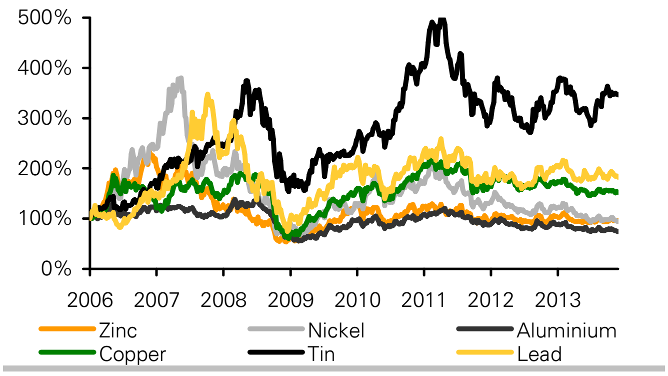
Source: Bloomberg, Commerzbank Corporates & Markets

CHART 14: **Performance industrial metals: Since 2009**



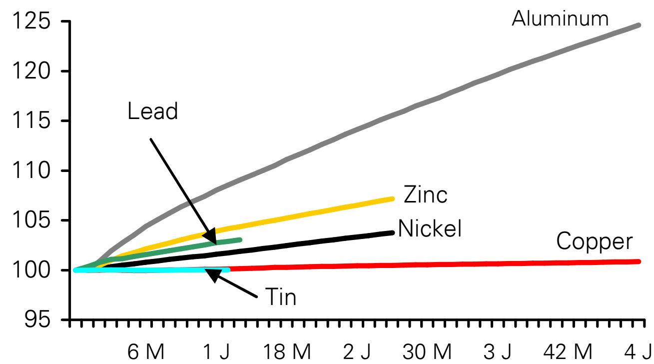
Source: LME, Bloomberg, Commerzbank Corporates & Markets

CHART 15: **Performance industrial metals: Since 2006**



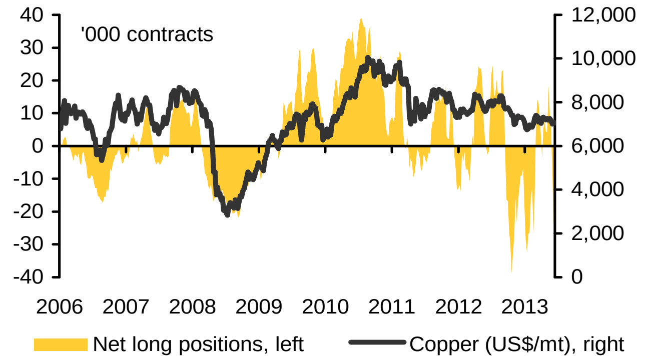
Source: LME, Bloomberg, Commerzbank Corporates & Markets

CHART 16: **Forward curves industrial metals**



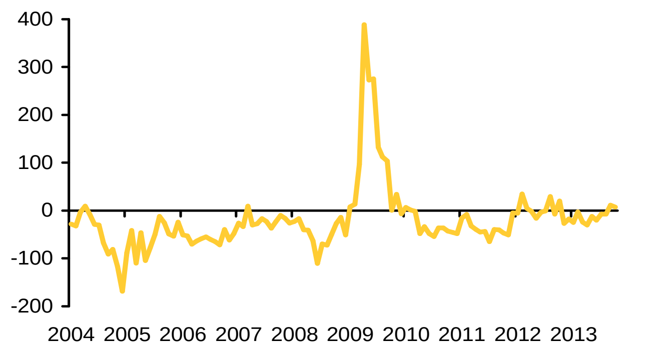
Source: LME, Bloomberg, Commerzbank Corporates & Markets

CHART 17: **Copper: managed money (COMEX)**



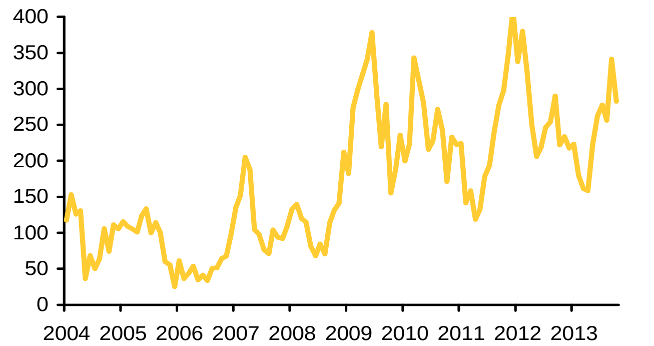
Source: CFTC, COMEX, Bloomberg, Commerzbank Corporates & Markets

CHART 18: **Aluminium: net imports China ('000 mt)**



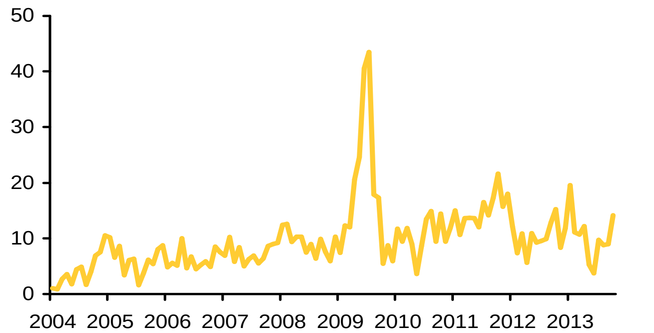
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

CHART 19: **Copper: net imports China ('000 mt)**



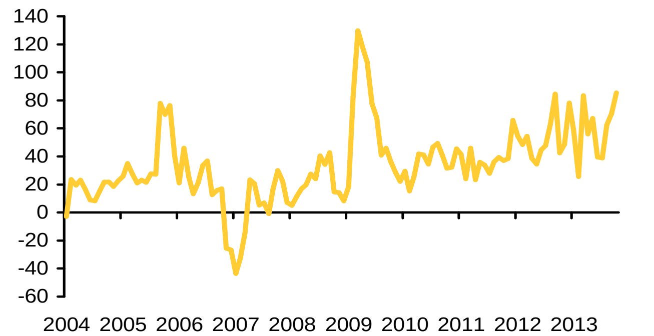
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

CHART 20: **Nickel: net imports China ('000 mt)**



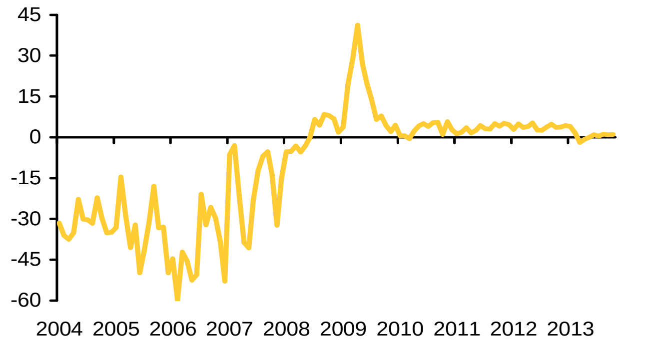
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

CHART 21: **Zinc: net imports China ('000 mt)**



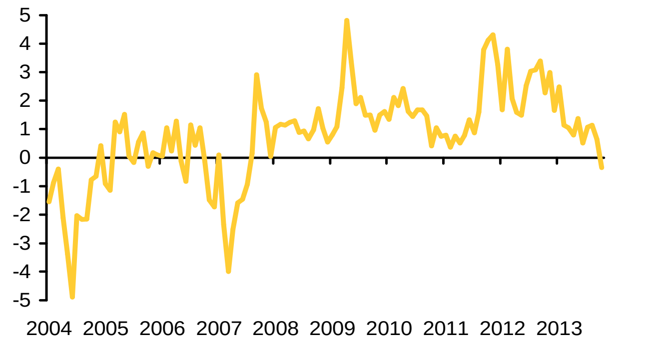
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

Chart 22: **Lead: net imports China ('000 mt)**



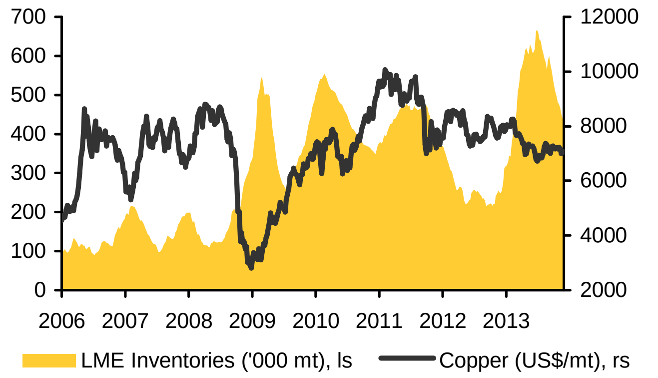
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

Chart 23: **Tin: net imports China ('000 mt)**



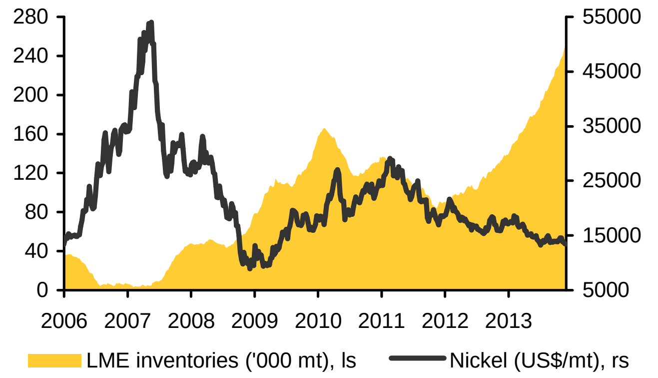
Source: China Customs, Bloomberg, Commerzbank Corporates & Markets

Chart 24: **Copper: LME inventories**



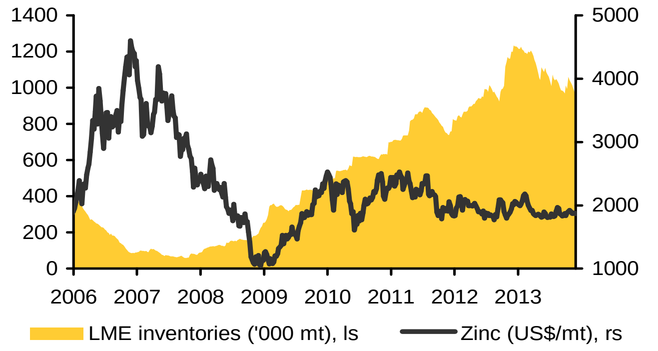
Source: LME, Bloomberg, Commerzbank Corporates & Markets

Chart 25: **Nickel: LME inventories**



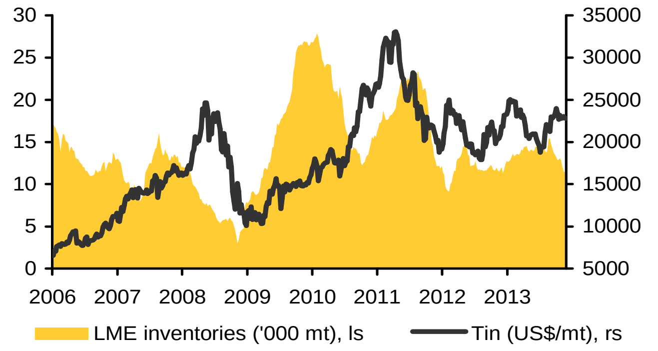
Source: LME, Bloomberg, Commerzbank Corporates & Markets

Chart 26: **Zinc: LME inventories**



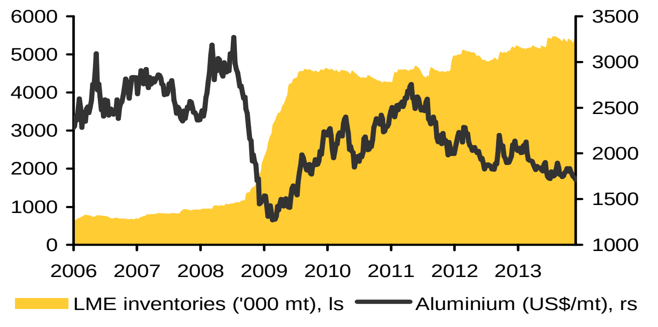
Source: LME, Bloomberg, Commerzbank Corporates & Markets

Chart 27: **Tin: LME inventories**



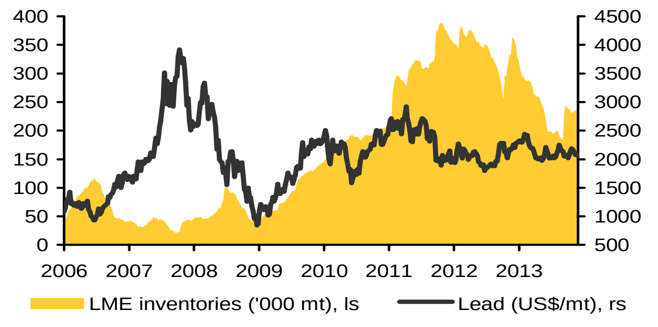
Source: LME, Bloomberg, Commerzbank Corporates & Markets

Chart 28: **Aluminium: LME inventories**



Source: LME, Bloomberg, Commerzbank Corporates & Markets

Chart 29: **Lead: LME inventories**



Source: LME, Bloomberg, Commerzbank Corporates & Markets

This document has been created and published by the Corporates & Markets division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank Corporates & Markets is the investment banking division of Commerzbank, integrating research, debt, equities, interest rates and foreign exchange.

The author(s) of this report, certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The analyst(s) named on this report are not registered / qualified as research analysts with FINRA and are not subject to NASD Rule 2711.

Disclaimer

This document is for information purposes only and does not take account of the specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever.

The information in this document is based on data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. The opinions and estimates contained herein reflect the current judgement of the author(s) on the data of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

The past performance of financial instruments is not indicative of future results. No assurance can be given that any opinion described herein would yield favourable investment results. Any forecasts discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document.

Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Additional notes to readers in the following countries:

Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany.

United Kingdom: This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Services Authority. Details on the extent of our regulation by the Financial Services Authority are available from us on request. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.

United States: Commerz Markets LLC ("Commerz Markets "): This document has been approved for distribution in the US under applicable US law by Commerz Markets, a wholly owned subsidiary of Commerzbank and a US registered broker-dealer. Any securities transaction by US persons must be effected with Commerz Markets. Under applicable US law; information regarding clients of Commerz Markets may be distributed to other companies within the Commerzbank group. This research report is intended for distribution in the United States solely to "institutional investors" and "major U.S. institutional investors," as defined in Rule 15a-6 under the Securities Exchange Act of 1934. Commerz Markets is a member of FINRA and SIPC.

Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

European Economic Area: Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA.

Singapore: This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor as defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") pursuant to section 274 of the SFA.

Hong Kong: This document is furnished in Hong Kong by Commerzbank AG, Hong Kong Branch, and may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

Japan: Commerzbank AG, Tokyo Branch is responsible for the distribution of Research in Japan. Commerzbank AG, Tokyo Branch is regulated by the Japanese Financial Services Agency (FSA).

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

Commerzbank Corporates & Markets

Frankfurt	London	New York	Singapore Branch	Hong Kong Branch
Commerzbank AG	Commerzbank AG London Branch	Commerz Markets LLC	Commerzbank AG	Commerzbank AG
DLZ - Gebäude 2, Händlerhaus Mainzer Landstraße 153 60327 Frankfurt	PO BOX 52715 30 Gresham Street London, EC2P 2XY	2 World Financial Center, 32nd floor New York, NY 10020-1050	71 Robinson Road, #12-01 Singapore 068895	29/F, Two IFC 8 Finance Street Central Hong Kong
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000	Tel: +852 3988 0988