

Overview

This morning, energy and industrial metals are rising amid optimism about some progresses in the U.S.-China trade war. On the contrary, precious metals are declining, with gold price contracting for a fourth day to the lowest in almost a month. Sovereign debt fell heavily, as the very quick decline in bond yields recorded last week has been perceived as excessive.

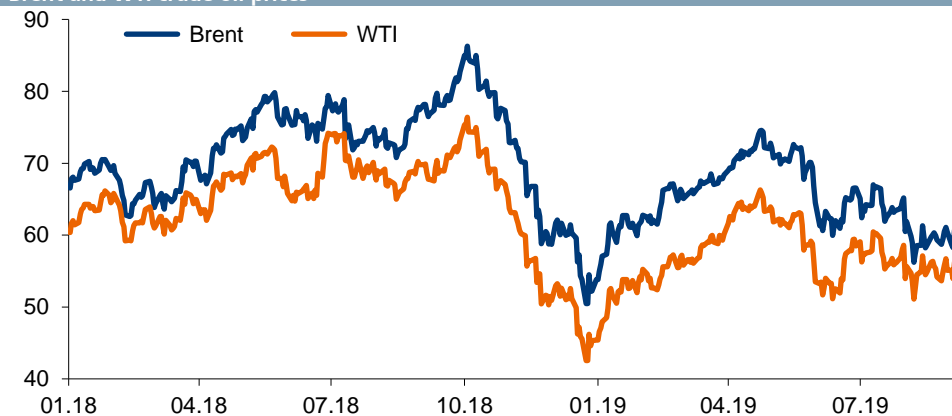
On Thursday, the European Central Bank will meet. Currently, more than 80% of economists participating to a Bloomberg survey expect that President Draghi will announce more quantitative easing before leaving his post in October to Christine Lagarde. Next week, the Federal Reserve Monitoring Committee will meet. Market expectations point toward the announcement of a 25 bps cut in interest rates for a second consecutive meeting.

This week, commodity investors will focus on several important market reports to be published over the next days. This afternoon, the U.S. Energy Information Administration (EIA) will publish its monthly Short-Term Energy Outlook (STEO); on Wednesday 11th, OPEC will publish its Monthly Oil Market Report (MOMR); on Thursday 13th the International Energy Agency (IEA) will publish its monthly Oil Market Report (OMR). These three reports will contain updated forecasts on supply and demand fundamentals. So far, downside revisions to estimates about global crude consumption have been announced. On Thursday 13th, the U.S. Department of Agriculture (USDA) will publish its World Agricultural Supply and Demand Estimates Report (WASDE).

Energy news

- During the World Energy Congress in Abu Dhabi, the IEA Executive Director Fatih Birol announced a further downside revision to IEA's forecast for global oil demand growth. For 2019, the agency now expects that global crude consumption could expand on average by about 1 million barrels a day (mb/d) due to the negative economic impact of political risks and the U.S.-China trade war. That's about 10% lower than the previous forecast and 50% lower than the forecasts released one year ago. Moreover, on the supply side, the output growth in the U.S. remains impressive, with the country expected to pump an additional 1.8 mb/d of crude in 2019, far exceeding the expansion of domestic demand. In addition, also the longer-term outlook for global crude oil demand is now weaker than earlier envisaged due to fundamental shifts in the way hydrocarbons are consumed (including electric vehicles gaining market shares, petrochemical industry becoming more efficient, fuel savings in the transport sector).

Brent and WTI crude oil prices



Source: Intesa Sanpaolo elaboration on Bloomberg data

Priced at the market close of the last trading day.

10 September 2019

Daily Note

Intesa Sanpaolo
 Research Department

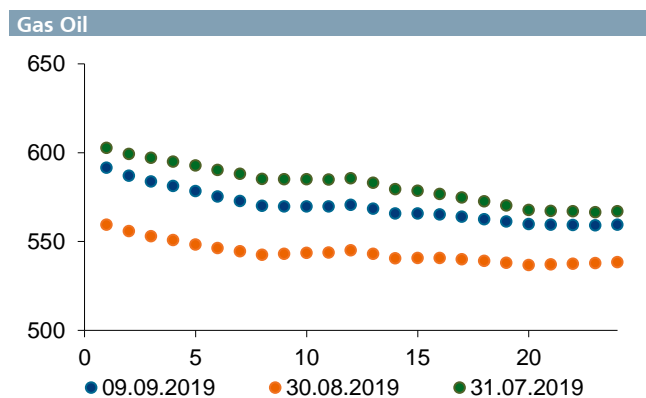
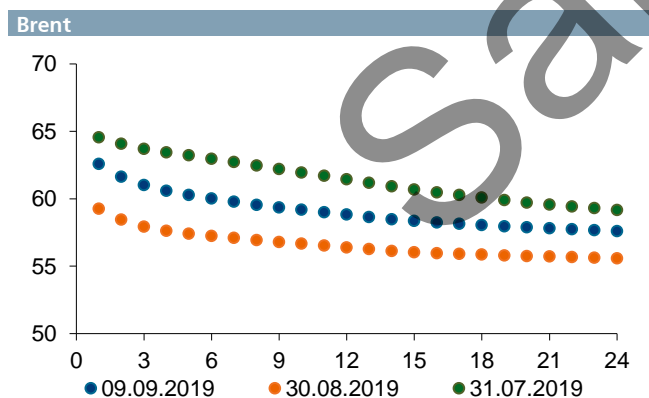
Macroeconomic and
 Fixed Income Research

Daniela Corsini, CFA
 Economist – Commodities

Commodities: Prices and Performances							
	Last Price	09.09.2019	Mov. %*	wtd %	mtd %	ytd %	
NYMEX WTI (\$/B)	57.9	57.9	2.35	2.35	4.99	27.39	
ICE BRENT (\$/B)	62.6	62.6	1.71	1.71	3.57	16.34	
NYMEX NATURAL GAS (\$/MMBtu)	2.6	2.6	3.57	3.57	13.13	-12.07	
ICE GAS OIL (\$/MT)	590.8	592.3	2.91	2.91	5.57	15.96	
LME GOLD (\$/OZ)	1,509.2	1,509.2	-0.95	-0.95	-1.26	18.00	
LME SILVER (\$/OZ)	18.2	18.2	0.14	0.14	-1.17	17.49	
LME PLATINUM (\$/OZ)	959.0	959.0	1.27	1.27	2.13	21.70	
LME PALLADIUM (\$/OZ)	1,562.0	1,562.0	1.36	1.36	1.30	22.99	
LME COPPER 3M (\$/MT)	5,815.0	5,815.0	-0.31	-0.31	2.88	-2.51	
LME ALUMINIUM 3M (\$/MT)	1,799.0	1,799.0	0.45	0.45	2.62	-2.55	
LME NICKEL 3M (\$/MT)	18,050.0	18,050.0	2.06	2.06	0.84	68.85	
LME ZINC 3M (\$/MT)	2,310.0	2,310.0	-0.77	-0.77	4.76	-6.36	
LME LEAD 3M (\$/MT)	2,095.0	2,095.0	0.82	0.82	3.87	3.66	
LME TIN 3M (\$/MT)	17,300.0	17,300.0	-0.43	-0.43	5.81	-11.17	
TSI US HRC STEEL (\$/s ton)**	565.8	565.8	-0.09	-0.09	-2.92	-23.55	
SGX IRON ORE (\$/MT)	90.9	92.0	2.84	2.84	1.21	29.37	
CBT CORN (\$/Bu)	344.0	340.8	-0.51	-0.51	-4.82	-9.13	
CBT WHEAT (\$/Bu)	468.0	474.5	3.10	3.10	5.15	-5.71	
CBT SOYBEAN (\$/Bu)	847.3	845.0	0.00	0.00	-1.40	-4.25	
MDE PALM OIL (MYR/MT)	2,120.0	2,116.0	0.00	0.00	-2.40	5.59	
NYB-ICE COTTON (\$/Lb)	59.2	59.1	0.66	0.66	0.12	-18.12	
BMF ARABICA COFFEE (\$/bag)	95.0	95.0	1.23	1.23	1.50	-6.73	
LIFFE ROBUSTA COFFEE (\$/MT)	1,282.0	1,282.0	0.79	0.79	-2.29	-14.87	

Notes: * The calculated performance is the daily change between the closing price reported in the third column and the closing price of the previous day; ** The reference price is the last price published by The Steel Index Ltd (TSI)

Forward



Source: Intesa Sanpaolo elaboration on Bloomberg data

Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice		
Tel. +39 02 879+(6) – 02 8021 + (3)		
Macroeconomic Analysis		
Macro & Fixed Income Research		
Luca Mezzomo	62170	luca.mezzomo@intesaspaolo.com
Fixed Income		
Sergio Capaldi	62036	sergio.capaldi@intesaspaolo.com
Chiara Manenti	62107	chiara.manenti@intesaspaolo.com
Federica Migliardi	62102	federica.migliardi@intesaspaolo.com
Macroeconomics		
Andrej Arady	62513	andrej.arady@intesaspaolo.com
Guido Valerio Ceoloni	62055	guido.ceoloni@intesaspaolo.com
Paolo Mameli	62128	paolo.mameli@intesaspaolo.com
Giovanna Mossetti	62110	giovanna.mossetti@intesaspaolo.com
Alessio Tiberi	32834	alessio.tiberi@intesaspaolo.com
Forex Markets		
Asmara Jamaleh	62111	asmara.jamaleh@intesaspaolo.com
Commodities		
Daniela Corsini	62149	daniela.corsini@intesaspaolo.com

Appendix

Analyst Certification

The financial analysts who prepared this report, and whose names and roles appear on the first page, certify that:

- (1) The views expressed on companies mentioned herein accurately reflect independent, fair and balanced personal views;
- (2) No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

The analysts who prepared this report do not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.

Important Disclosures

This research has been prepared by Intesa Sanpaolo S.p.A. and distributed by Banca IMI S.p.A. Milan, Banca IMI SpA-London Branch (a member of the London Stock Exchange) and Banca IMI Securities Corp (a member of the NYSE and FINRA). Intesa Sanpaolo S.p.A. accepts full responsibility for the contents of this report. Please also note that Intesa Sanpaolo S.p.A. reserves the right to issue this document to its own clients. Banca IMI S.p.A. and Intesa Sanpaolo S.p.A. are both part of the Gruppo Intesa Sanpaolo. Intesa Sanpaolo S.p.A. and Banca IMI S.p.A. are both authorised by the Banca d'Italia, are both regulated by the Financial Conduct Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness.

Past performance is not a guarantee of future results.

The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgement.

No Intesa Sanpaolo S.p.A. or Banca IMI S.p.A. entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report.

This document may only be reproduced or published together with the name of Intesa Sanpaolo S.p.A. and Banca IMI S.p.A..

Intesa Sanpaolo S.p.A. issues and circulates research to Major Institutional Investors in the USA only through Banca IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1199.

Residents in Italy: this document is intended for distribution only to clients and qualified counterparties as defined in Consob Regulation no. 16190 of 29.10.2007, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

Person and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FCA.

US persons: this document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

This document is for the exclusive use of the person to whom it is delivered by Banca IMI and Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Banca IMI and/or Intesa Sanpaolo.

The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Banca IMI and/or Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

Valuation Methodology

This document has been prepared in accordance with the following method.

Macroeconomic Data

Comments on macroeconomic data are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Thomson Reuters-Datastream. Macroeconomic and interest rate forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated econometric models. Forecasts are obtained using analyses of historical-statistical data series made available by the leading data providers and also on the basis of consensus data, taking account of appropriate connections between them.

Forecasts in the Energy Sector

Comments on the Energy Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Thomson Reuters-Datastream. Unless otherwise stated, consensus estimates come from the leading international energy Agencies, primarily the IEA (International Energy Agency – which deals with this sector on a global scale), the EIA (Energy Information Administration – an institute that deals specifically with the US energy sector) and OPEC. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

Forecasts in the Metals Sector

Comments on the Metals Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Thomson Reuters-Datastream.

Unless otherwise specified consensus estimates on precious metals come mainly from GFMS, the long-established forecasting agency based in London. The forecasts cover gold, silver, platinum and palladium. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

Unless otherwise stated, consensus estimates for industrial metals come mainly from Brook Hunt, an independent forecasting agency which has prepared statistics and predictions on metals and minerals since 1975, and from the World Bureau of Metal Statistics (WBMS), an independent research body on the global market of industrial metals which publishes a series of monthly, quarterly and annual statistical analyses. Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

Forecasts in the Agricultural Sector

Comments on the Agricultural Sector are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Thomson Reuters-Datastream.

There are several consensus estimates on agricultural products. Each individual country has its own internal statistics agency that estimates and forecasts crops, production capacity, the product supply quantities and, above all, the amount of land available for cultivating a particular product, in both absolute and percentage terms.

At an international level, the main agencies are: the USDA (United States Department of Agriculture) which, in addition to providing data on the US territory, also deals in general with the grain industry worldwide through the FAS (Foreign Agricultural Service); the Economist

Intelligence Unit of the Economist Group which deals with all agricultural products on a global scale; and CONAB (Companhia Nacional de Abastecimento), the Brazilian Government agency that deals with agriculture (with a particular focus on coffee) and which also provides some insight into the entire South America.

Forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated models.

Technical levels

Comments on technical levels are based on market news and data available via information providers such as Bloomberg and Thomson Reuters-Datastream. Interest rate technical level forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated technical models. Forecasts are obtained using analyses of historical-statistical data series made available by the leading data providers and also on the basis of consensus data, taking account of appropriate connections between them. There is also a further in-depth study linked to the choice of appropriate derivatives that best represent the sector or the specific commodities on which one intends to invest.

Recommendations

Negative Outlook: a Negative Outlook recommendation for a sector is a wide-ranging indication. It not only indicates deteriorating price conditions of the indices or futures that best represent the commodity in question (thus the reduction of a price performance), but it also implies the deterioration in the forecasts on production, weather and input supplies (like water or energy) that characterize these sectors more than other financial instruments.

Neutral Outlook: a Neutral Outlook recommendation for a sector is an indication that includes a multitude of aspects. It indicates that the combination of price forecasts of indices and futures and all the conditions of production, weather and input supplies (like water or energy) will lead to a sideways movement in prices or inventories or production capacity, recording, therefore, void or minimum performances for the sector under examination.

Positive Outlook: a Positive Outlook recommendation for a sector is an indication covering a wide range of areas. It not only indicates net improvements in price conditions of the indices or futures that best represent the commodity in question (thus a positive price performance), but it also implies the improvement in the forecasts on production, weather and input supplies (like water or energy) that characterize these sectors more than other financial instruments.

Frequency and validity of forecasts

Market indications refer to a short period of time (the same day or the following days, unless stated otherwise in the text). Forecasts are developed over a time span of between one week and 5 years (unless specified otherwise in the text) and have a maximum validity of three months.

Disclosure of potential conflicts of interest

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage https://www.group.intesasanpaolo.com/scripts/sir0/si09/governance/eng_dlgs_231_2001.jsp) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research" and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A., webpage https://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng_doc_governance.jsp along with a summary sheet on the website of Banca IMI S.p.A. webpage <https://www.bancaimi.com/en/bancaimi/chisiamo/documentazione/normative.html>. This documentation is available to the recipient of this research upon making a written request to the Compliance Department, Intesa Sanpaolo S.p.A., Via Hoepli, 10 – 20121 Milan – Italy.

Furthermore, in accordance with the aforesaid regulations, the disclosures of the Intesa Sanpaolo Banking Group's interests and conflicts of interest are available through webpage https://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng_vp_studi.jsp. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report.

We highlight that disclosures are also available to the recipient of this report upon making a written request to Intesa Sanpaolo S.p.A. – Macroeconomic and Fixed Income Research, Via Romagnosi, 5 - 20121 Milan - Italy.

Banca IMI S.p.A., one of the companies belonging to the Intesa Sanpaolo Banking Group, acts as market maker in the wholesale markets for the government securities of the main European countries and also acts as Government Bond Specialist, or in comparable roles, for the government securities issued by the Republic of Italy, by the Federal Republic of Germany, by the Hellenic Republic, by the European Stability Mechanism and by the European Financial Stability Facility.

Sample