

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.

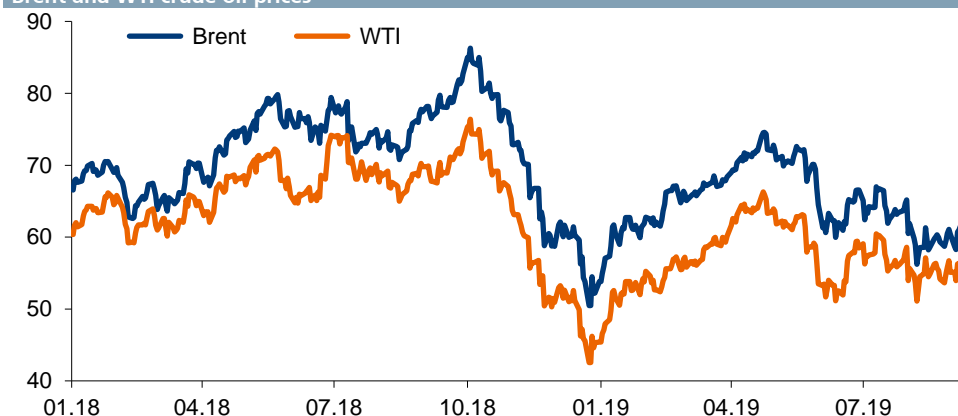
On Thursday, the European Central Bank will meet. Currently, more than 80% of economists participating to a Bloomberg survey expect that President Draghi will announce more quantitative easing before leaving his post in October to Christine Lagarde. Next week, the Federal Reserve Monitoring Committee 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

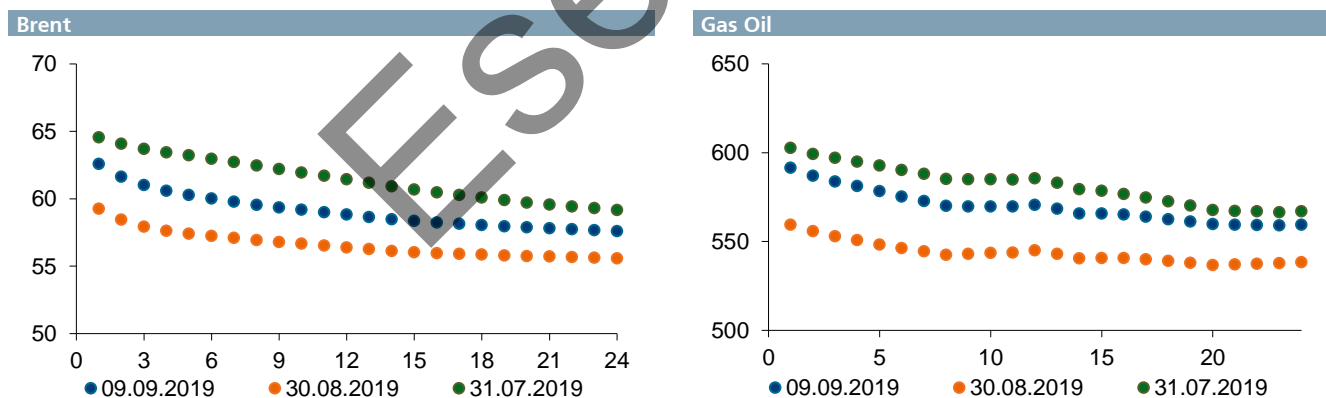
Macroeconomic and
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Commodities: Prices and Performances							
	Last Price	09.09.2019	Mov. %*	wtd %	mtd %	ytd %	
NYMEX WTI (\$/B)	57.9	57.9	2.35	2.35	4.99	27.39	
ICE BRENT (\$/B)	62.6	62.6	1.71	1.71	3.57	16.34	
NYMEX NATURAL GAS (\$/MMBtu)	2.6	2.6	3.57	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

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Appendix

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- (2) No direct or indirect compensation has been or will be received in exchange for any views expressed.

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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

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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.

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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.

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