



KBC Commodities Report

Written by CSOB Prague and KBC Brussels - More research on www.kbc.be/dealingroom

Headlines

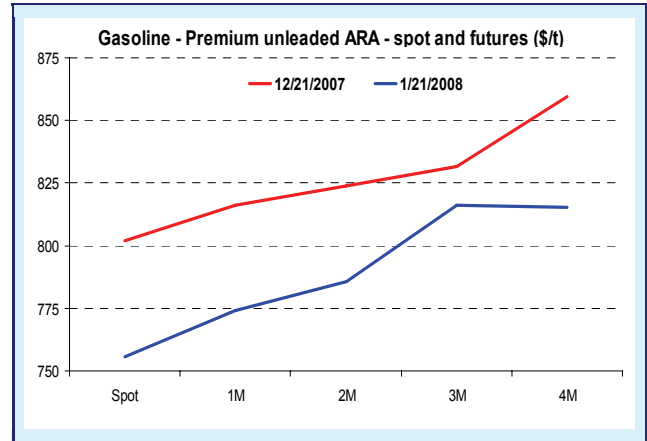
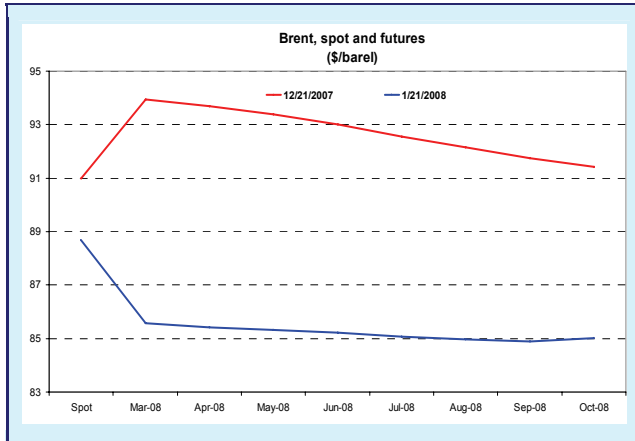
- Crude oil falls due to fears of recession
- Gold slips even today
- Lower stocks weigh on base metals.

		21/1/08	18/1/08	Daily	14/1/08	Weekly	21/12/07	Monthly
		Close	Close	Change	Close	Change	Close	Change
Crude								
Brent spot	USD/b	88.67	90.31	-1.82%	93.23	-4.89%	90.98	-2.54%
Brent - 1M	USD/b	87.90	89.57	-1.86%	93.04	-5.52%	93.13	-5.62%
Brent - 2M	USD/b	87.70	89.37	-1.87%	92.78	-5.48%	92.73	-5.42%
Brent - 3M	USD/b	87.43	89.08	-1.85%	92.52	-5.50%	92.41	-5.39%
WTI spot	USD/b		90.55		94.23		93.19	
1,0% Fuel Oil FOB Barges Rdam	USD/t	485.00	470.00	3.19%	513.00	-5.46%	508.00	-4.53%
3,5% Fuel Oil FOB Barges Rdam	USD/t	414.25	419.50	-1.25%	439.00	-5.64%	436.50	-5.10%
Jet FOB Barges Rdam	USD/t	839.00	854.00	-1.76%	863.25	-2.81%	879.00	-4.55%
Gasoil 0.2 Spot Barges Rdam	USD/t	769.50	783.00	-1.72%	800.25	-3.84%	815.25	-5.61%
Diesel 10 PPM FOB Barges Rdam	USD/t	795.00	806.25	-1.40%	825.25	-3.67%	837.25	-5.05%

		21/1/08	18/1/08	Daily	14/1/08	Weekly	21/12/07	Monthly
		Close	Close	Change	Close	Change	Close	Change
Base Metals - LME 3 M								
Cu	USD/t	6870	7141	-3.79%	7400	-7.16%	6795	1.10%
Sn	USD/t	16025	16450	-2.58%	16450	-2.58%	16400	-2.29%
Pb	USD/t	2510	2590	-3.09%	2730	-8.06%	2650	-5.28%
Zn	USD/t	2225	2355	-5.52%	2395	-7.10%	2415	-7.87%
Al	USD/t	2410	2450	-1.63%	2548	-5.42%	2410	0.00%
Aa	USD/t	2305	2320	-0.65%	2360	-2.33%	2310	-0.22%
Ni	USD/t	27700	28775	-3.74%	29300	-5.46%	26950	2.78%

		21/1/08	18/1/08	Daily	14/1/08	Weekly	21/12/07	Monthly
		Close	Close	Change	Close	Change	Close	Change
Precious Metals - spot								
Au	USD/oz	866.35	884.55	-2.06%	905.2	-4.29%	810.8	6.85%
Ag	USD/oz	15.58	16.17	-3.65%	16.4	-5.00%	14.34	8.65%
Pt	USD/oz	1539	1558.5	-1.25%	1577	-2.41%	1523	1.05%
Pd	USD/oz	361.5	369.5	-2.17%	380	-4.87%	355.5	1.69%

Brent and Distillates



On Monday with U.S. markets closed **crude oil fell** pressured by worries that the stimulus fiscal package proposed by US president George W. Bush would not be enough to stop the American economy falling into recession.

OPEC hasn't yet made a decision on whether to raise output at its Feb. 1 meeting, the United Arab Emirates oil minister told reporters yesterday. "We are going to meet in February and we will have so many options available, we will explore all options," Minister Mohammed al-Hamli said. Also the **Centre for Global Energy Studies in London expects OPEC will be reluctant to increase crude-oil production** at its Feb. 1 meeting and may even cut output due to the risk that slowing U.S. economic growth will damp demand for its crude.

Mexico, the third-largest supplier of crude to the U.S. in 2006, **stopped shipments** on Sunday morning after strong winds and heavy rains shut terminals. Mexican production is a secure source of supplies for the U.S. and the closure is of great importance. The storm closed oil terminals and seven commercial shipping ports on the Gulf of Mexico, including three facilities of state-run Petroleos Mexicanos, and the Salina Cruz

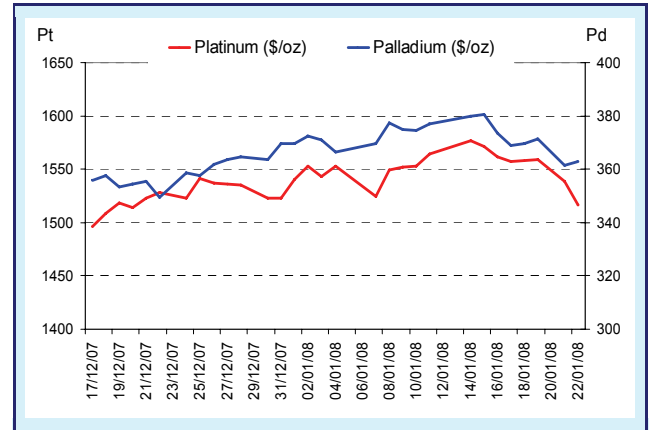
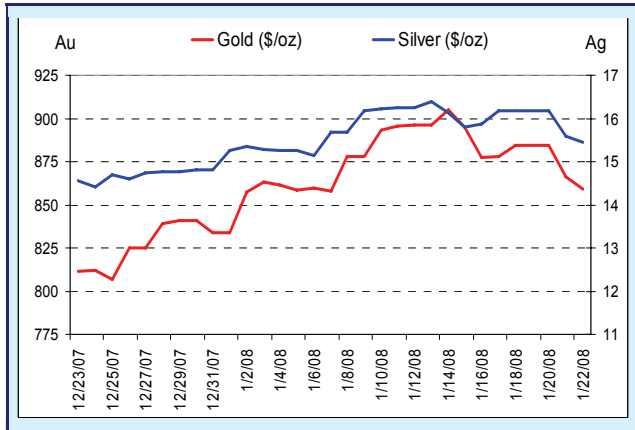
site on the Pacific. Nevertheless, the loading terminals in the Gulf of Mexico were opened on Monday.

As showed estimates the average daily **loading rate** of the nine main North Sea crude streams might fall in February to 2.36 mln.bbl, down 161,000 bbl/d from the previous month.

Federal Service of State Statistics of Russia published that the **oil production reached 449.1 mln.t in the first 11 months**, it is by 2.3% more than during the same period 2006. Export increased to 237.2 mld.t, i.e. 52.8% of the total production.

Ecuador will invest 2 mld.\$ in its oil industry this to increase production by 11%, as Energy Minister Galo Chiriboga said. Some 1.7mld.\$ will be used to increase production at state oil company Petroecuador and another 300 mln.\$ will be used to revamp the Esmeraldas refinery, Ecuador's largest refinery. Ecuador is South America's fifth-largest oil producer with an average of 510,000 bbl/d. President R. Correa, a close ally of Venezuelan leader Hugo Chavez, replaced the head of Petroecuador in November, and signed a decree that nearly doubled the state's share in the company.

Precious Metals



On Monday gold lost as a weaker euro versus the dollar encouraged investors to lock in profits from last week's run to record highs, but broader financial market uncertainty was seen limiting losses. Market volatility was high, due to absence of the U.S. traders. Dealers said that gold's fall from the record highs was partly driven by investors and funds seeking to cover losses in stock markets. However, they have not seen a reason for panic, given that there are concerns about the U.S. economy and the potential for recession plus the fact that interest rates are expected to be cut.

Also **today in the morning spot gold fell 2 %** to its lowest in 3 weeks and slipped below support at 850\$/oz, dragged by a weaker euro, falling oil and selling to cover margin calls on tumbling stocks.

As GFMS, the London-based precious metal consultancy, estimates **Chinese gold output jumped** to a record high of 276 t last year, a 12 % increase over

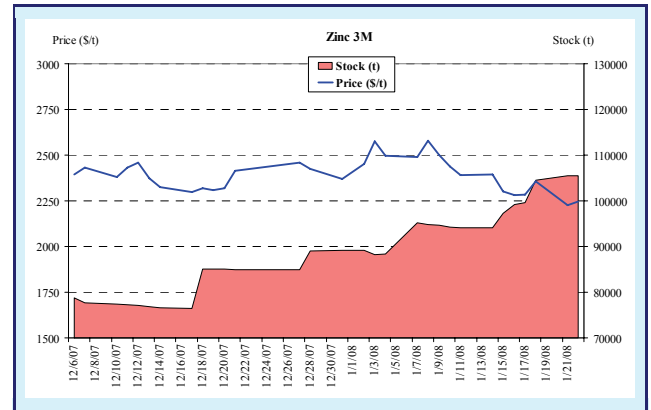
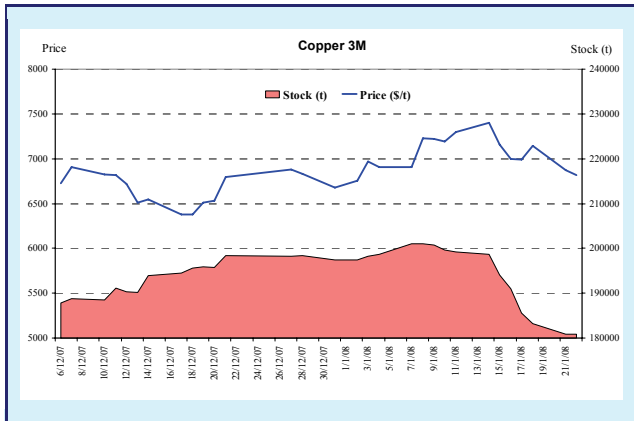
2006, while South Africa produced 272 t only. Therefore China has ended more than a century of South African dominance of the gold mining industry to become the world's biggest producer of the ore. However, in spite of the soaring prices, global gold production is falling, especially in South Africa, where output halved in the past decade amid higher production costs, tougher safety regulations and more depleted mines. As Mr.P. Klapwijk, GFMS executive chairman, said the fall in output in South Africa and other traditional producers, such as the US and Australia, was the main reason why "global gold production is not raising in reaction to record gold prices".

The scale of the **gold industry in South Africa has been steadily diminishing since 1970** when it produced 1,000 t a year, about three quarters of the world's supply at that time. Nevertheless, the gold industry still employed over 160,000 people.

Base Metals

Base metal - Stock (t)

	18/01/08	17/01/08	11/01/08	21/12/07
Cu	180900	183225	198600	198225
Sn	12015	12010	11820	12445
Pb	47925	48050	48950	43250
Zn	105500	104475	94125	85000
Al	949475	947450	940050	928950
Aa	44080	44360	45280	46900
Ni	46176	46422	46908	47184



Together with oil and precious metals **also industrial metals tumbled on Monday**, dragged down by falling equity markets, fears of a U.S. recession and the dollar's rise against the euro. Copper lost 4% to sink to its lowest level in more than two weeks as investors worried that a possible slowdown in the U.S. economy could hurt demand for metals, while zinc slid more than 5 % to a two-month low.

As the International Copper Study Group said **copper supplies outpaced demand by 51,000 t. in October**. It is the third consecutive monthly surplus. How-

ever, copper use exceeded production by 218,000 t the first 10 months of the year. That compares with a surplus of 78,000 t during the same period in 2006.

China's refined lead exports dropped significantly in 2007, falling 56.1% to 235,758 t while December exports fell 77% to 13,152 t as customs data showed on Tuesday. The reason of the drop in Chinese lead exports in the second half of 2007 was caused by Chinese new 10 % export tax.

Technical Analysis

GOLD - NEW HIGH IN LONG TERM CHANNEL FROM JULY 2005 (SEE GRAPH)



GOLD (861.50: DAILY CHARTS): Scored new Long Term high in channel from July 2005 and Double Bottom off 836.70 (see graph).

1st Resistance area at 870.10 (breakdown daily Jan 18), with next levels at 882.50 (current week high), ahead of 900.83 (weekly Bollinger top), where a pause is favored to set in.

If wrong, next levels at 914.00/ .27 (new high/ weekly envelope top): suspect tough on 1st attempts.

1st Support at 849.50 (current reaction low off 914.00), with next levels at 845.40 (previous high), ahead of 840.40/ 839.63 (break-up weekly/ weekly Stop And Reverse) and 836.70 (see above): ideal area to stay above to keep current Medium Term bullish mood intact on Gold.



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