



Risk Digest: Commodity Pulse

Special points of interest:

Oil Prices Plunge on Demand Uncertainties

Gold Futures Soar on Safe-Haven Demand

Gasoil Price Dips, Despite Gas Inventory Plunge

Copper Prices Crash on China's Economy Outlook

Grains and Softs Plunge on Soaring USD

Analyst's Recommendations (Week ahead)

Commodity Prices Roam in Negative Territories Amid New Year Repositioning

Commodity Futures Trend							
	Commodity	2016 Open	Wkly Avg January 08, 2015	Wkly Avg December 31, 2015	Weekly change (\$)	Price Change Direction	YTD Change
Energy	Brent Crude (\$/bbl)	37.04	35.03	37.04	(2.01)	↓	(2.01)
	Gas oil (\$/tonnes)	333.69	316.95	333.69	(16.74)	↓	(16.74)
Metals	Gold (\$/Troy Oz)	1064.59	1091.77	1064.59	27.18	↑	27.18
	Copper (\$/tonnes)	4697.75	4578.50	4697.75	(119.25)	↓	(119.25)
	Silver (\$/Troy Oz)	13.94	14.02	13.94	0.07	↑	0.07
Grains	Soybean (\$/bsh)	8.69	8.62	8.69	(0.07)	↓	(0.07)
	Corn (\$/bsh)	3.60	3.54	3.60	(0.07)	↓	(0.07)
	Wheat (\$/bsh)	4.71	4.66	4.71	(0.05)	↓	(0.05)
	Rice (\$/Cwt)	11.60	11.50	11.60	(0.10)	↓	(0.10)
Softs	Coffee (\$/lb)	122.74	120.86	122.74	(1.88)	↓	(1.88)
	Sugar (\$/lb)	14.98	14.63	14.98	(0.35)	↓	(0.35)
	Cotton (\$/lb)	63.77	62.02	63.77	(1.75)	↓	(1.75)
	Cocoa (\$/tonnes)	3211.25	3028.80	3211.25	(182.45)	↓	(182.45)



Oil Prices Plunge on Demand Uncertainties



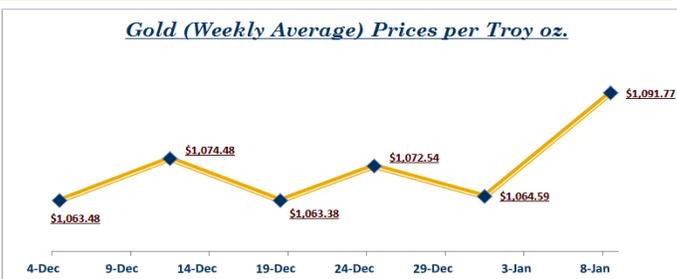
Starting out the New Year, there was no respite in the oil price plunge over the review period. In fact, Brent futures plummeted to levels not seen in about a decade, backed on mounting concerns on Chinese demand.

Amid the superfluous oil supply in the market, a massive sell-off in China's global markets exacerbated fears on the prospects of weakening demand out of the region. China being the second largest consumer of the oil, a significant decline in oil demand is enough to spook oil investors, while adding to concerns that the oil glut may stick around even longer than expected.

Meanwhile, market players shunned reports which showed that as at last week, rigs drilling for oil in the US, decreased by 20 to sit at 516 units. More so, US inventory levels also dipped by 5.09million barrels; though still at 80-year highs.

Brent futures eventually wrapped up the first trading week of the year, at an average price of **\$35.03/bbl**. W-o-W decline of **5.04%**

Gold Futures Soar on Safe-Haven Demand



The precious metal garnered a lot of support during the opening week of the year, after the People's Bank of China surprisingly injected 130 billion Yuan in open market operations (OMO Bills); highest since September 2015. This came on the heels of severely weak Chinese manufacturing data, which aroused worries on the true extent of China's economic slowdown.

In its usual manner, Gold prices were aptly supported by the slow-down in the Asian nation, as investors re-directed investments towards the metal for safe haven.

Towards the end of the review period however, Gold prices retreated from its gains, after the Labour Department reported that the U.S. economy added 292k jobs in December; way above expectations of a 200k payroll rise. This unavoidably, added to expectations of further interest rate hike in the near term.

Nonetheless, Gold prices rounded up the week at an average price of **\$1091.77/Troy Oz.**; a week-on-week appreciation of **2.55%**.

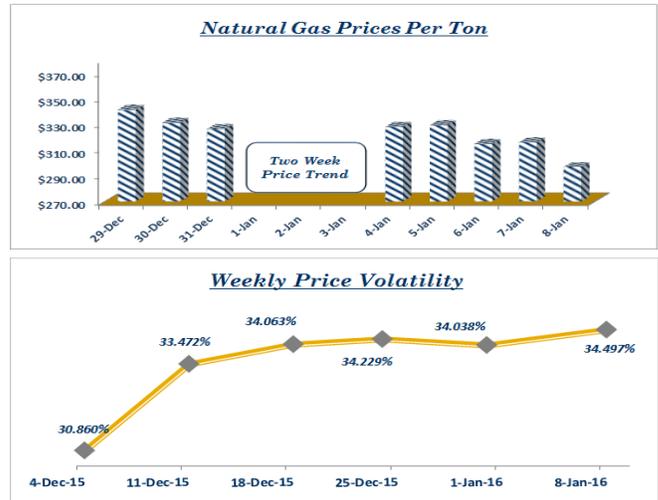
ENERGY: Gasoil Price Dips, Despite Gas Inventory Plunge

Weather forecasting modes continued to erroneously predict cold winds in major US regions, while the weather remains relatively warmer than usual. Investors appeared to shun the weather reports, while also ignoring further investment in the fuel, leading to further decline in gasoil futures.

In fact, the US Energy Information Administration, said in its weekly report that natural gas storage in the U.S. fell by **113** billion cubic feet, above expectations of a **99** billion decline and compared with a draw-down of **58** billion erstwhile. Yet, the reports failed to encourage patronage of the gas over the review period.

Natural Gas prices eventually shed about **5.02%** off its stance last week, to settle at an average price of **\$316.95/ton**.

As has been the fairly usual pattern over recent weeks, gasoil volatility spiked further over the 5-day period, rounding off at a high of **34.497%**.



METALS: Copper Prices Crash on China's Economy Outlook

Copper prices were noticeably beaten on average at the end of the week, as a week Chinese economic outlook, paired with a stronger USD at the end of the period, weighed heavily on the metal.

Following the Yuan's **4.5%** depreciation last year, investors had largely expected the PBOC, to allow its currency fall further. However, the speedy pace of devaluation, was unanticipated. China's Caixin services PMI index for December, reportedly fell to a 17-month low at **50.2**, its second-lowest level on record. This fueled fears that the world's number two economy is growing even more slowly than expected. Some experts further viewed the latest intervention by the PBOC as a desperate move to jumpstart its flagging economy by bolstering exports.

Copper prices inched lower on average, to close the review week at **\$4578.50/ton** a W-o-W decline of **2.54%**.

Metals Volatility				
Commodity	Volatility January 08, 2015	Volatility December 31, 2015	Weekly change (%)	Volatility Direction
Gold	14.14%	13.87%	0.27	↑
Copper	20.20%	21.00%	-0.79	↓
Silver	23.65%	23.96%	-0.31	↓

AGRICULTURE: Grains and Softs Plunge on Soaring USD

All agricultural commodities within our purview, recorded a mass decline over the opening trading week of 2016. Amid US ample grain supplies, the slow pace of U.S. grain exports, paired with increased competition from Argentina weighed heavily on the commodity's futures.

Following its biggest rally in about five months, Cocoa prices as well as other watched soft commodities, plunged over the course of the week, owing to an influx of profit taking activities. Futures of Sugar and Coffee were slightly threatened over the period, with dealers turning their attention to the new harvests in Central America and Asia.

The weekly volatilities for Soybean, Corn, Wheat, Rice, Coffee, Cotton, Sugar & Cocoa were **179.89%**, **46.03%**, **30.89%**, **24.76%**, **34.64%**, **19.70%**, **31.30%** & **18.37%** respectively.

Grains & Softs Volatility				
Commodity	Volatility January 08, 2015	Volatility December 31, 2015	Weekly change (%)	Volatility Direction
Soybean	179.89%	184.35%	-4.45	↓
Corn	46.03%	46.20%	-0.18	↓
Wheat	30.89%	30.80%	0.09	↑
Rice	24.76%	24.73%	0.02	↑
Coffee	34.64%	34.74%	-0.09	↓
Cotton	19.70%	19.83%	-0.13	↓
Sugar	31.30%	31.12%	0.18	↑
Cocoa	18.37%	17.81%	0.56	↑

Commodity Price Sentiments

Commodity	Price Sentiment	Position	Key
Brent Crude		✗	 Bullish Bearish Mixed
Gasoil		↔	
Gold		↔	
Silver		↔	
Copper		✗	
Wheat		↔	
Soybean		↔	
Coffee		✗	
Cocoa		✗	



Analyst Recommendations

Market sentiments and possible outcomes of key upcoming events form the substratum of our recommendations on trading positions:

Brent Crude:

The effects of the unrelenting global supply glut continued to weigh on Brent Crude futures in the review week, with no signs of a slowdown. The prospects of additional oil production in excess of 500,000 barrels per day from Iran and Russia, continue to worsen bearish sentiments towards the commodity. We envisage these sentiments will persist into the new week. As such, market players are urged to maintain **short** positions.

Gasoil:

Updated weather forecasting models again wrongly predicted temperatures in most areas of the US. By and large, above-normal temperatures have been witnessed in the past weeks, which are supposed to be the coldest periods in the country. With investors carefully ignoring dips in gas inventory (which would've otherwise supported the commodity's prices), we advise prospective investors to trade cautiously on Natural gas

futures in the coming week.

Gold & Silver:

Gold prices supported over the 5-day period, largely due to the stock market fiasco in China. On the other hand, the same ruckus in the stock market, eventually led to the strengthening of the USD, which in turn capped gains of the metal due to their inverse relationship. The US economy still seems well in line with its recovery; a factor that is detrimental to the precious metal. We advice that investors take cautious positions on the metal.

Copper:

Copper prices crashed significantly, following the continuous bearish reports out of China (largest importer of the metal). Demand for the industrial metal remains uncertain leading to the investor apathy witnessed over the review week. We suggest that Investors maintain **short** positions on the industrial metal.

Grains & Softs:

Requisitions for soft commodities from Europe and some Asian regions, are expected to heighten this week. This prompted our recommendation of **long** positions for majority of the produce.

Key Upcoming Events

DATES	EVENTS	
Wednesday (13th January, 2016)	Crude Oil Inventories	
Wednesday (13th January, 2016)	Gasoil Inventories	
THURSDAY (14th January, 2016)	BoE MPC Meeting Minutes	
THURSDAY (14th January, 2016)	ECB MPC Meeting Minutes	
THURSDAY (14th January, 2016)	Initial Jobless Claims	
THURSDAY (14th January, 2016)	Continuing Jobless Claims	

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Source: FirstAnalytics, Bloomberg, Reuters, Investing.com and Commodities Online.