



Risk Digest

Weekly Commodity Pulse

Special points of interest:

Brent Futures
Surge on Proposed Oil Output Cuts

Gold Supported by Waning US Economic Performance

Gasoil Prices Spike on Cold Spell

Copper Prices Buoyed by Upbeat Economic Data

Grains Bullish while Supply Glut Weighed on Softs

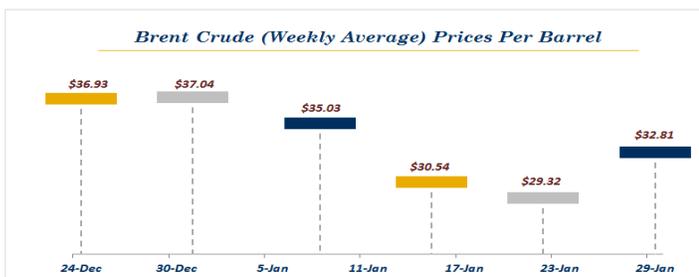
Analyst's Recommendations (Week ahead)

Commodities Improve Broadly, on Proposed Cuts in Oil Output Levels

Commodity Futures Trend							
	Commodity	2016 Open	Wkly Avg January 29, 2016	Wkly Avg January 22, 2016	Weekly change (\$)	Price Change Direction	YTD Change
Energy	Brent Crude (\$/bbl)	37.04	32.81	29.32	3.48	↑	(4.23)
	Gas oil (\$/tonnes)	333.69	292.75	266.50	26.25	↑	(40.94)
Metals	Gold (\$/Troy Oz)	1064.59	1112.45	1093.99	18.46	↑	47.86
	Copper (\$/tonnes)	4697.75	4511.50	4398.30	113.20	↑	(186.25)
	Silver (\$/Troy Oz)	13.94	14.12	14.03	0.09	↑	0.18
Grains	Soybean (\$/bsh)	8.69	8.78	8.78	0.00	↑	0.10
	Corn (\$/bsh)	3.60	3.69	3.68	0.01	↑	0.09
	Wheat (\$/bsh)	4.71	4.79	4.74	0.05	↑	0.08
	Rice (\$/Cwt)	11.60	11.20	10.91	0.29	↑	(0.40)
Softs	Coffee (\$/lb)	122.74	117.37	114.43	2.94	↑	(5.37)
	Sugar (\$/lb)	14.98	13.62	14.45	(0.83)	↓	(1.36)
	Cotton (\$/lb)	63.77	61.27	62.22	(0.94)	↓	(2.50)
	Cocoa (\$/tonnes)	3211.25	2792.80	2867.75	(74.95)	↓	(418.45)

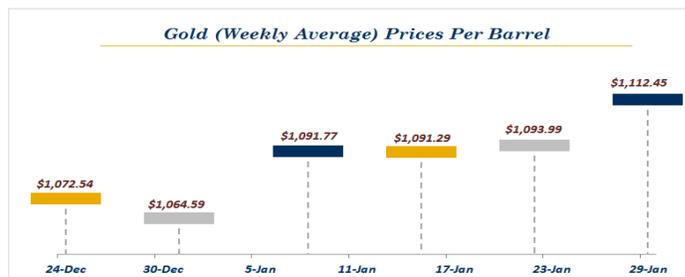


Brent Futures Surge on Proposed Oil Output Cuts



Brent Futures leapt for the fourth consecutive daily session on Friday, backed on expectations of a cut in global oil production levels. Despite falling to about 13-year lows over the preceding week, oil prices recoiled further on Monday, following reports that Iraq's output reached record highs in December. The Nation's oil field produced about 4.13million barrels per day, in spite of the geo-political tensions surrounding the region. With the prospects of Iran's increase in oil supply still looming on the horizon, this unescapably worsened the fate of the Crude futures at the start of the week. The tide however changed from Tuesday, backed on speculations that both OPEC and non-OPEC countries, are closer to brokering a deal to cut production levels, in a bid to tackle the relentless global oil supply glut. This was according to the Russian Energy Minister, who commented that Saudi Arabia proposed global production cuts of up to about 5% . Oil prices eventually jumped about **11.89%** on average, to wrap up at **\$32.81/bbl**.

Gold Supported by Waning US Economic Performance

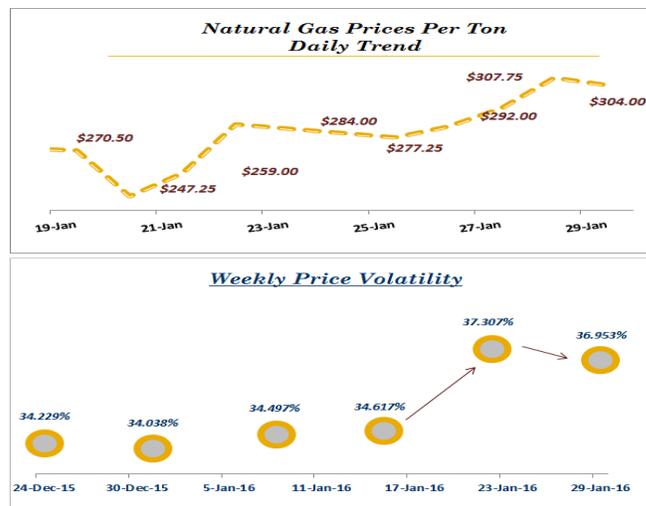


Prices for the yellow metal remained supported for the second week in a row, as the reports out of the US economy remain less supportive to the USD; which usually trades inversely with Gold. The Federal Reserve held its first meeting of the year over the review week, wherein the committee decided to leave interest rates unchanged, adding that it was closely monitoring global economic and financial developments. Following that development, the Commerce department towards the end of the week, reported that the US economy grew at an annual rate of 0.7% in the fourth quarter, missing expectations for growth of 0.8% and slowing from 2.0% in the preceding quarter. Of course the metal drew support from the weak GDP, further raising investor expectations, that the Federal Reserve may slow any planned interest rate hikes. A slower pace to higher rates is often viewed as lesser threat to gold prices. Gold prices at the end of the period, grew to a weekly average of **\$1112.45/Troy Oz**.

ENERGY: Gasoil Prices Spike on Cold Spell

Gasoil futures climbed higher fairly consistently over the week-in-view, as updated weather forecasting models for major US regions, indicated even colder temperatures for the next two weeks. By and large, speculations of the cold weather, increasing winter demand for the heating fuel have abounded, further supporting the gas futures. The winter-period is usually the peak period for futures of the Natural gas, as the fuel is used primarily by households for heating purposes.

Meanwhile, prices of the commodity were further bolstered, after the U.S. Energy Information Administration said in its weekly report that natural gas storage in the U.S. fell by 211 billion cubic feet, compared to expectations for a decline of 207 billion. Gasoil prices eventually inched higher by **9.85%** to round off the week at an average price of **\$292.75/ton**. On a related note, Gasoil' s weekly volatility metric inched lower to **36.95%** over the week, after peaking at a high of **35.71%** erstwhile.

**METALS: Copper Prices Buoyed by Upbeat Economic Data**

Copper prices firmed at the dusk of the review week, as investor sentiments were generally uplifted backed on the stabilizing oil prices. Further buoying Copper prices, reports out on Friday showed that bookings to ship the industrial metal out of warehouses in top user China climbed significantly. This indicated that traders and consumers are stocking up ahead of China's Lunar New Year festival. Meanwhile, Chinese regulators have asked several domestic funds to postpone issuing new out-bound investment products. It appear that this is a renewed effort by the authorities, to stem a capital flight that is undermining the value of the Yuan and worrying global investors. Copper prices eventually settled at an average price of **\$4398.30/ton**. Looking markedly at Metal's volatility, while Silver's metric increased to **23.34%**, Gold and Copper volatility slowed to **13.89%** and **19.63%** accordingly.

Metals Volatility				
Commodity	Volatility January 29, 2015	Volatility January 22, 2015	Weekly change (%)	Volatility Direction
Gold	13.89%	13.97%	-0.09	↓
Copper	19.63%	20.01%	-0.39	↓
Silver	23.34%	22.93%	0.41	↑

AGRICULTURE: Grains Bullish while Supply Glut Weighed on Softs

Gaining quite some support from the slightly weaker greenback, US Stocks were also bolstered by Friday last week, This of course translated to an improvement in dollar denominated grains.

U.S. grains, particularly soybean futures ended strong on Friday, rallying on month-end investor buying, This came a day after cancellations of U.S. soybean sales to China, sent the market to a three-week low.

On the softs end, with the exception of Coffee futures all other soft produce decline on the average at the end of the week. An improving crop outlook in top grower Brazil has also contributed to the decline in prices. "Physical demand was apparently also subdued, whereas the production outlook remained bright. Weekly volatilities for Soybean, Corn, Wheat, Rice, Coffee, Cotton, Sugar & Cocoa were **178.23%**, **49.80%**, **30.59%**, **24.00%**, **34.32%**, **19.37%**, **31.38%** & **19.37%** respectively.

Grains & Softs Volatility				
Commodity	Volatility January 29, 2015	Volatility January 22, 2015	Weekly change (%)	Volatility Direction
Soybean	178.23%	179.95%	-1.72	↓
Corn	49.80%	49.94%	-0.15	↓
Wheat	30.59%	30.97%	-0.38	↓
Rice	24.00%	24.47%	-0.47	↓
Coffee	34.32%	34.34%	-0.02	↓
Cotton	19.37%	19.49%	-0.12	↓
Sugar	31.38%	31.33%	0.05	↑
Cocoa	19.37%	19.16%	0.21	↑

Commodity Price Sentiments

Commodity	Price Sentiment	Position	Key
Brent Crude		↔	<p> Bullish Bearish Mixed </p>
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:

According to Baker Hughes; US energy firms cut oil rigs for the sixth straight week. As it stands, the number of rigs drilling for oil in the US are at almost 6-year lows of 498 units. This is amid reports that US shale producers have cut oil spending for 2016. Whilst oil supply levels continue to surpass demand, we expect these oil-supportive reports to have an impact of oil inventors in the coming week. To that end, we advice prospective oil investors to trade cautiously on the commodity.

Gasoil:

The colder-than normal temperatures which have resurfaced in major US region is posed to most likely support prices of the fuel for the time being. With expectations of even colder temperatures for at least two weeks, we expect largely buy-positions at the market. Backed on this we urge investors to take advantage of the tide, and go **long** on Natural gas futures.

Gold & Silver:

The decision of the Fed to maintain interest rates, amid the flurry of weak economic data out of the US bolstered Gold prices over the week-in-view. There have been a few prognosis of a largely bearish Q1 for the US, which has cast some doubt on the potential of frequent US rate hike in the year. In fact, some market analysts only expect one interest rate hike over the course of the year. Hence, we suggest that investors take **long** positions on Gold in the week.

Copper:

Copper investors are likely to continue to slash their holdings of the red metal amid persistent worries over an economic slowdown in China. We however expect Investors to maintain **short** positions ahead of the announcement.

Grains & Softs:

Global sugar and Coffee prices are expected to rise in the 2016 as demand outweighs supply. Demand for coffee is expected to exceed supply by more than 4%. The outlook for cocoa is however less upbeat. Investors should take positions carefully in Grains & Softs as they remain considerably volatile.

Key Upcoming Events

DATES	EVENTS	
Monday (1st February, 2016)	Manufacturing PMI	
Monday (1st February, 2016)	Manufacturing PMI	
Monday (1st February, 2016)	Manufacturing PMI	
Monday (1st February, 2016)	ECB President Draghi Speaks	
Tuesday (2nd February, 2016)	Unemployment Rate	
Wednesday (3rd February, 2016)	Crude Oil Inventories	
Thursday (4th February, 2016)	BoE Inflation Report	
Thursday (4th February, 2016)	Continuing Jobless Claims	
Friday (5th February, 2016)	Unemployment Rate	
Friday (5th February, 2016)	Non-farm Payroll	

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