

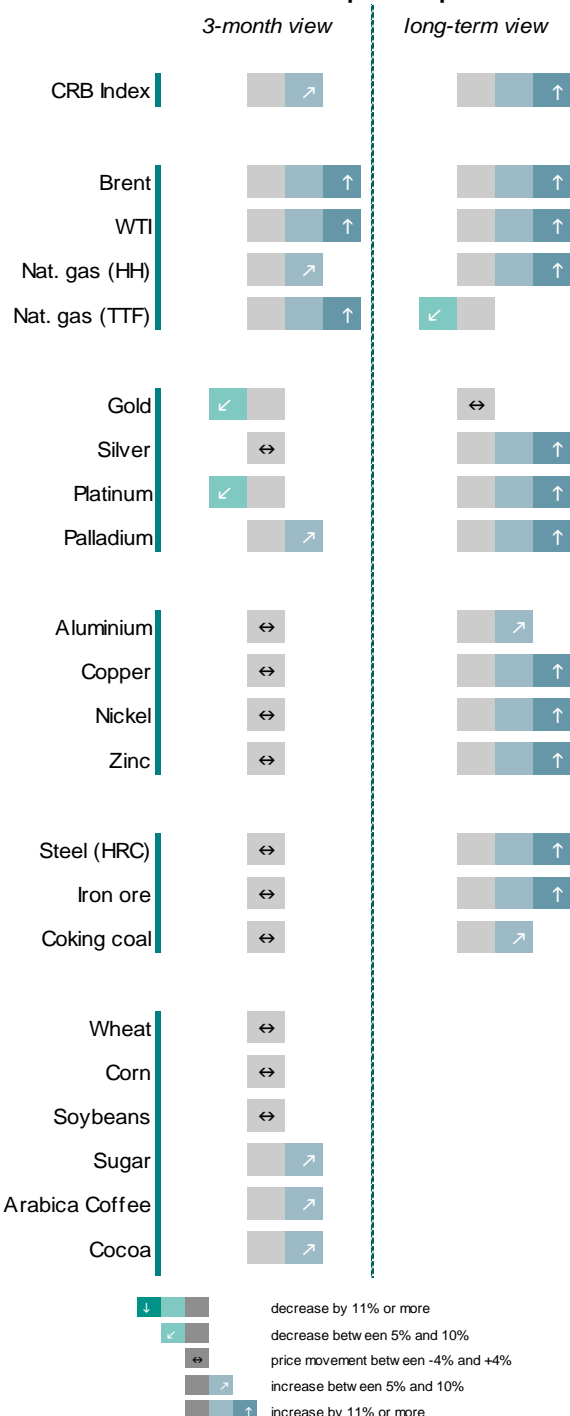
Monthly Commodity Update

January 2016

Weak start unlikely to continue

In 2015, the CRB index lost almost 30% driven down by all categories. Excess supply (physical or investor related) is continuing to put pressure on most commodity prices. With investors being largely positioned for more weakness and consensus being negative, the impact on prices (such as a higher US dollar) is diminishing. Our China growth outlook is in line with market consensus, however we feel that fears about the Chinese economy are overdone. In addition, we expect Chinese imports to improve and global growth to pick up this year, which are supporting the commodity demand outlook. The sharp fall in prices will likely result in producers aiming to cut production. However, this will be less substantial than in the past because producers need the cash flow to survive. We have adjusted downwards our 2016 forecast for commodity prices to reflect the sharp fall in prices in 2015. All in all, we expect commodity prices to rise in the course of 2016 from the current low levels.

ABN AMRO price expectation



Energy: Forecasts revised lower; recovery seen in the course of 2016

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The negative sentiment surrounding Chinese demand expectations as well as increased speculative short positions continue to push oil prices lower. With prices trading around USD 30/bbl, they reached a level which is below cash cost for many oil producers. This indicates that production could be hit if oil prices continue to trade around current levels for too long. We revised our forecasts lower. Although we still expect a price recovery in the course of the year (based on continued rise in demand, stagnating oil production, and the closure of speculative short positions), near term downside risks remain high.

Precious metals: Adjustments in forecasts

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We expect gold prices to move lower because of a higher US dollar, improvement in investor sentiment and higher US yields this year. However, gold prices will unlikely reach 975 USD/ounce at the end of March (our previous forecast). Therefore, we have changed our forecast for the end of March 2016 to 1,050 USD per ounce. We have kept our forecasts for silver unchanged. In the case of platinum and palladium, we see modest downside in prices from current levels, but we judge that most price weakness is behind us.

Base metals: 2016 will be a troublous year

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Uncertainty around China, depressed sentiment, strong dollar, overcapacity and low energy prices are the dominant themes in 2016. No doubt this will be a difficult year, but our impression is that price stability is in the offing. Because from a fundamental point of view a price recovery in 2016 is on the table. The global supply-demand balance in copper, nickel and zinc will improve and this will lead to shortages in 2016. Oversupply will prevail in the aluminium price during 2016 and that dampens an upward price movement in an environment with improving demand.

Ferrous metals: Production cuts in snail's pace

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Supply and demand are still the main drivers of price trends in steel markets. The oversupply of steel (notably in China) is putting a strong damper on global prices. China is flogging its surplus of steel at exceptionally low prices in the international markets (South-East Asia, but also the EU and the US). Large volumes of Chinese steel are being sold in these markets below cost. But it is not just a Chinese problem, because in Europe we also have to deal with oversupply. The current pace of global capacity curtailments is still at too low a level to positively influence the global supply-demand balance in the short term.

Agriculturals: A small price recovery in 2016

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2016 starts with a lot of turbulence on the market. Uncertainty about the Chinese economic situation, low oil prices and pressure on the entire commodity complex lead speculators to liquidate their positions. Especially softs (Cocoa, Coffee) were hit hard by price falls of around 5 to 10% in the first days of January. For the rest of the year we expect some slight recovery due to improvements in the world economic outlook. Price gains for grains & oilseeds and sugar are capped by high stock levels. For cocoa we expect a limited decrease of prices because of remaining lower grinding figures.

- Short term view: our three-month outlook versus spot rate.

- Long term view: 2017 avg forecast price versus 2015 avg forecast price.

ABN AMRO Commodity Price Forecasts

	Spot rate 12 Jan	3-months performance	Q1 (2016)	Q2 (2016)	Q1 (2017)	2016f (year-end)	2016f (year avg)	2017f (year-end)	2017f (year avg)
Commodity Index:									
- CRB index	162	-19%	175	185	210	205	185	220	210
- Brent (USD/barrel)	31	-37%	40	45	55	55	50	60	60
- WTI (USD/barrel)	30	-35%	40	45	55	55	50	60	60
- Gas HH (USD/mmBtu)	2.25	-10%	2.50	2.75	3.00	3.00	2.75	3.50	3.25
- Gas TTF (EUR/MWh)	14	-22%	17	18	15	14	16	15	15
- Gold (USD/oz)	1,087	-8%	1,050	1,000	900	900	995	1,000	944
- Silver (USD/oz)	13.8	-14%	13.5	14.0	15.5	15.0	14.1	18.0	16.3
- Platinum (USD/oz)	832	-16%	800	825	950	900	843	1,100	1,000
- Palladium (USD/oz)	471	-32%	450	500	625	600	520	700	650
- Aluminium (USD/t)	1,451	-8%	1,500	1,525	1,650	1,600	1,550	1,675	1,650
(USD/lb)	0,66		0,68	0,69	0,75	0,73	0,70	0,76	0,75
- Copper (USD/t)	4,344	-18%	4,500	4,900	5,800	5,100	5,050	6,000	6,050
(USD/lb)	1,97		2,04	2,22	2,63	2,31	2,29	2,72	2,73
- Nickel (USD/t)	8,204	-21%	9,000	9,350	11,000	9,700	9,650	11,500	11,100
(USD/lb)	3,72		4,08	4,24	4,99	4,40	4,37	5,22	5,03
- Zinc (USD/t)	1,456	-18%	1,500	1,650	1,875	1,725	1,700	2,000	1,950
(USD/lb)	0,66		0,68	0,75	0,85	0,78	0,77	0,91	0,88
- Steel (global) (HRC; USD/t)	313	-20%	315	328	339	347	325	367	364
- Iron ore (fines, USD/t)	41	-25%	43	45	52	48	45	50	54
- Coking coal (USD/t)	78	-4%	79	80	82	80	82	85	88
- Wheat (USDC/bu)	486	-6%	500	500	-	500	500	-	-
- Corn (USDC/bu)	362	-7%	375	395	-	415	400	-	-
- Soybean (USDC/bu)	874	-4%	875	875	-	900	890	-	-
- Sugar (USDC/lb)	13.80	-1%	15.00	15.50	-	15.50	15.40	-	-
- Arabica coffee (USDC/lb)	117	-15%	125	125	-	140	130	-	-
- Cocoa (USD/t)	2,865	-8%	3,000	2,950	-	2,750	2,875	-	-

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