

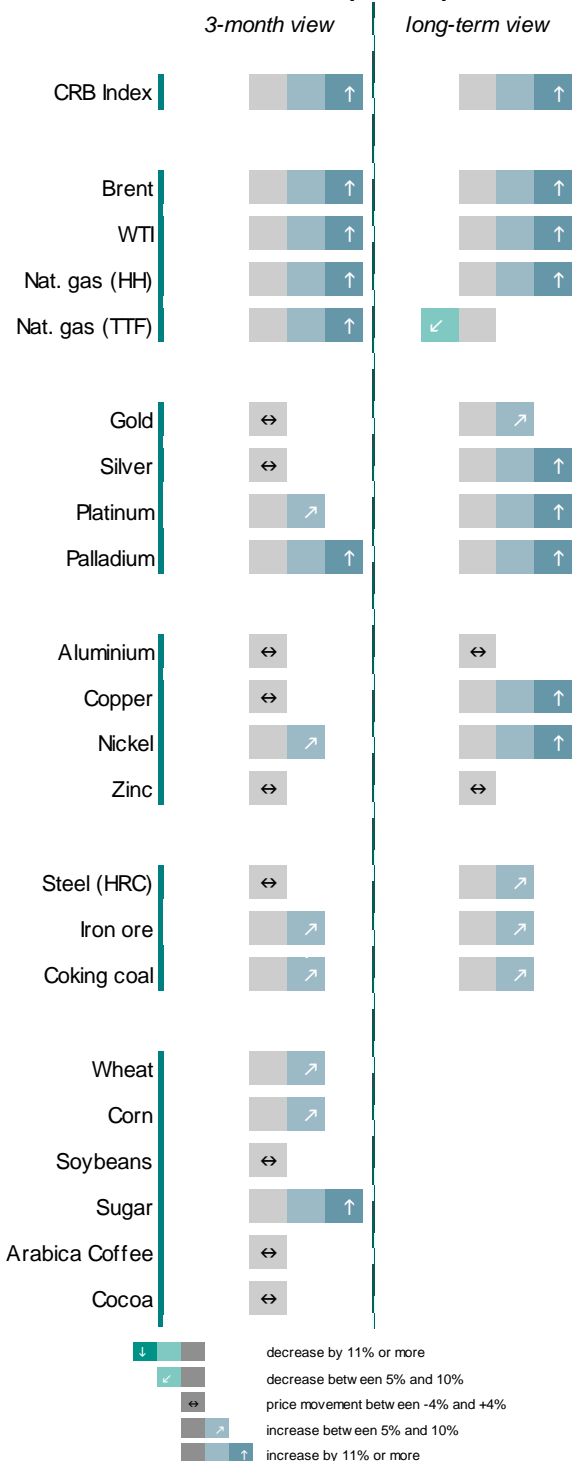
Monthly Commodity Update

February 2016

Producers aiming to survive low prices

In current low price environment, many commodity producers are lossmaking. Cost savings have thus become increasingly important and this forces producers to take a critical look at their production process and cost efficiency. The current low oil prices are substantially below the cost price of many oil producers. Nevertheless, they have continued to produce in order to generate cash flow or to keep market share. In metals markets, the drop in oil prices and the sharp depreciation in local currencies has pushed down cash costs for mining metal ores. For example the average cash cost to mine gold have decreased and this is likely to continue going forward. At the same time, miners are in a fierce re-structuring phase in order to survive. They will disinvest non-core activities or close non-profitable units. This process will result in lower supply coming to the market and ultimately this will support prices.

ABN AMRO price expectation



Energy: Agreement to cap production adds floor to oil prices

[Click here](#) for the latest update on energy)

The agreement between Saudi Arabia, Russia, Qatar and Venezuela to cap oil production at January levels places a floor under oil prices. Although some participants hoped for a production cut, this agreement does signal that some key oil producers will act if prices decline further. The expected tightening of the oversupply as well as drop in speculative short positions could trigger a price recovery. This would be beneficial for many oil producers. Most oil producers outside the Middle East are producing below cost price and are forced to focus mainly at cash costs per barrel instead.

Precious metals: The bears become bulls

[Click here](#) for the latest update on precious metals)

In general, average cash costs to mine gold are still below the current level in gold prices. Since 2013, these costs have come down. This is because of low oil prices and lower domestic costs because of sharp currency depreciation of countries that mine gold. But the harsh conditions that miners currently face has triggered a sharp restructuring wave. This will, over time, result in lower supply of gold and other precious metals. Meanwhile, market dynamics have turned positive for precious metals. We now expect higher prices this year because of more monetary policy easing, the Fed remaining on hold, less upside on the US dollar and an overall improvement in investor sentiment towards precious metals.

Base metals: Many producers in lossmaking territory

[Click here](#) for the latest update on base metals)

Concerns have increased about the global economy and lower economic growth expectations are especially bad news for the fundamentally weaker base metals markets. The aluminium market has suffered from persistent overcapacity and this limits any significant upward price movement. The supply-demand balance in the copper and zinc market is in much better shape. All markets count numerous producers with a significant proportion of loss making capacity at current low prices and this is unsustainable. As a result, a portion of the current capacity will be cut during 2016 and supply shortages will shape up this year.

Ferrous metals: Demand still weak, but sentiment has improved

[Click here](#) for the latest update on ferrous metals)

The global steel price has increased by 4-5% since the start of 2016, also helped by an increase in the price of iron ore. But the demand for steel is still relatively weak in many parts of the world. Construction activity is in most regions under pressure and industrial sectors see a weakening of their activity in a growing number of countries. However, car sales remain stable. Oversupply of steel (especially in China) has a negative effect on global prices. This helps to ensure that significant price rises in steel will fail in the short term, despite the fact that sentiment has slightly improved during the first months of 2016.

Agriculturals: High stockpiles are the cap for price increases

[Click here](#) for the latest update on [grains](#) or [softs](#))

The negative sentiment surrounding Chinese economic growth, as well as price pressure on the entire commodity complex has weighed on agricultural commodity price in the past weeks. The low selling prices combined with relatively high costs of fertilizer providing pressure on future production. All in all high stock levels for most of the agriculturals places a low bottom in price levels within the coming months. Upside potential in the coming period is mainly due to adverse weather circumstances in main production areas.

- Short term view: our three-month outlook versus spot rate.
- Long term view: 2017 avg forecast price versus our three-month outlook.

ABN AMRO forecasts

ABN AMRO Commodity Price Forecasts

	Spot rate 22 Feb	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	163	-12%	175	185	210	205	185	220	210
- Brent (USD/barrel)	35	-25%	40	45	55	55	50	60	60
- WTI (USD/barrel)	31	-27%	40	45	55	55	50	60	60
- Gas HH (USD/mmBtu)	1.82	-10%	2.50	2.75	3.00	3.00	2.75	3.50	3.25
- Gas TTF (EUR/MWh)	12.38	-29%	14	16	15	14	16	15	15
- Gold (USD/oz)	1,208	12%	1,200	1,225	1,300	1,300	1,214	1,300	1,300
- Silver (USD/oz)	15.17	7%	15.0	15.5	17.0	16.5	15.4	18.5	17.5
- Platinum (USD/oz)	926	10%	950	975	1,075	1,050	974	1,200	1,094
- Palladium (USD/oz)	494	-8%	525	550	625	600	558	700	650
- Aluminium (USD/t)	1,576	9%	1,590	1,590	1,650	1,600	1,550	1,675	1,650
(USD/lb)	0,71		0.72	0.72	0.75	0.73	0.70	0.76	0.75
- Copper (USD/t)	4,702	2%	4,750	4,900	5,800	5,100	5,050	6,000	6,050
(USD/lb)	2,13		2.15	2.22	2.63	2.31	2.29	2.72	2.73
- Nickel (USD/t)	8,756	1%	9,000	9,350	11,000	9,700	9,650	11,500	11,100
(USD/lb)	3,97		4.08	4.24	4.99	4.40	4.37	5.22	5.03
- Zinc (USD/t)	1,780	13%	1,800	1,825	1,875	1,900	1,840	2,000	1,950
(USD/lb)	0,81		0.82	0.83	0.85	0.86	0.83	0.91	0.88
- Steel (global) (HRC; USD/t)	326	-16%	315	328	339	347	325	367	364
- Iron ore (fines, USD/t)	52	17%	52	55	57	48	45	50	54
- Coking coal (USD/t)	76	0%	79	80	82	80	82	85	88
- Wheat (USDc/bu)	464	-5%	475	500	-	500	500	-	-
- Corn (USDc/bu)	372	1%	375	395	-	415	400	-	-
- Soybean (USDc/bu)	884	2%	875	875	-	900	890	-	-
- Sugar (USDc/lb)	12.8	-13%	15.00	15.50	-	15.50	15.40	-	-
- Arabica coffee (USDc/lb)	121	-3%	125	125	-	140	130	-	-
- Cocoa (USD/t)	2,879	-14%	3,000	2,950	-	2,750	2,875	-	-

Contributors & Disclaimer

Group Economics:

Contact information ABN AMRO | Group Economics (in order of appearance):

	Primary area of expertise:	Phone:	E-mail:
- Jacques van de Wal	Head Commodity Research	+31 20 628 04 99	jacques.van.de.wal@nl.abnamro.com
- Georgette Boele	Precious Metals, top down	+31 20 629 77 89	georgette.boele@nl.abnamro.com
- Hans van Cleef	Energy	+31 20 343 46 79	hans.van.cleef@nl.abnamro.com
- Frank Rijkers	Agriculturals	+31 20 628 64 37	frank.rijkers@nl.abnamro.com
- Casper Burgering	Ferrous and Non-ferrous metals	+31 20 383 26 93	casper.burgering@nl.abnamro.com

E-mailbox of Group Economics: abn.amro.group.economics@nl.abnamro.com

More information:

Websites Group Economics

- Internet Group Economics (Macro Research and theme reports, including commodities):	<i>English:</i> insights.abnamro.nl/en/ <i>Dutch:</i> insights.abnamro.nl/
---	--

Disclaimer & further information

© Copyright 2016 ABN AMRO Bank N.V. and affiliated companies ("ABN AMRO"), Gustav Mahlerlaan 10, 1082 PP Amsterdam / P.O. box 283, 1000 EA Amsterdam, The Netherlands. All rights reserved. This material was prepared by ABN AMRO Group Economics Sector Research and ABN AMRO Private Banking International. It is provided for informational purposes only and does not constitute an offer to sell or a solicitation to buy any security or other financial instrument. While based on information believed to be reliable, no guarantee is given that it is accurate or complete. While we endeavor to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. The opinions, forecasts, assumptions, estimates, derived valuations and target price(s) contained in this material are as of the date indicated and are subject to change at any time without prior notice. The investments referred to in this material may not be appropriate or suitable for the specific investment objectives, financial situation, knowledge, experience, or individual needs of recipients and should not be relied upon in substitution for the exercise of independent judgment. ABN AMRO or its officers, directors, employee benefit programs or co-workers, including persons which were involved in preparing or issuing this material, may from time to time hold long- or short-positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this material. ABN AMRO may offer and render at any time investment banking-, commercial banking-, credit-, advice-, and other services to the issuer of any security referred to in this material. Pursuant to offering and rendering such services, ABN AMRO may come into possession of information not included in this material and ABN AMRO may prior or immediately after publication thereof have acted based on such information. In the past year, ABN AMRO may have acted as lead manager or co-lead manager with regard to a public offering of securities from issuers as mentioned in this material. The stated price of any securities mentioned herein is as of the date indicated and is not a representation that any transaction can be effected at this price. Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent. This document is solely intended for dissemination amongst private/retail customers. Distribution to private/retail customers in any jurisdiction that would require registration or licensing of the distributor which the distributor does not currently have, is not permitted. Material means all research information contained in any form including but not limited to hard copy, electronic form, presentations, e-mail, SMS or WAP.

US Securities Law

ABN AMRO Bank N.V. is not a registered broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act") and under applicable state laws in the United States. In addition, ABN AMRO Bank N.V. is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, absent specific exemption under the Acts, any brokerage and investment advisory services provided by ABN AMRO Bank N.V., including (without limitation) the products and services described herein are not intended for U.S. persons. Neither this document, nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person.

Other jurisdictions

Without limiting the generality of the foregoing, the offering, sale and/or distribution of the products or services described herein is not intended in any jurisdiction to any person to whom it is unlawful to make such an offer, sale and/or distribution. Persons into whose possession this document or any copy thereof may come, must inform themselves about, and observe any legal restrictions on the distribution of this document and the offering, sale and/or distribution of the products and services described herein. ABN AMRO cannot be held responsible for any damages or losses that occur from transactions and/or services in defiance with the restrictions aforementioned.

Company disclosures

ABN AMRO may beneficially hold a major shareholding or a significant financial interest of the debt of this company. ABN AMRO currently maintains a market in the security of this company and otherwise purchases and sells securities of this company as principal. ABN AMRO has received compensation for investment banking services from this company, its subsidiaries or affiliates during the previous 12 months.

Personal disclosures

The information in this opinion is not intended as individual investment advice or as a recommendation to invest in certain investments products. The opinion is based on research of ABN AMRO Group Economics. The analysts have no personal interest in the companies included in this publication'. Their remuneration for this work is not, was not and will not be related directly or indirectly to the specific recommendations or views expressed in this opinion.