



Daily Commodity Market Commentary

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Telvent DTN Daily Market Commentary - 06/07/11

Summary: For the most part, commodities were able to recover some of Monday's gains during Tuesday's volatile session. Markets outside Chicago made some of the strongest moves, with Brent crude oil posting a strong rally while cotton collapsed.

Grains: Corn and soybean contracts moved higher Monday, supported by renewed noncommercial buying interest tied to the weakness of the U.S. dollar index. Long-term fundamentals remain bullish for both grain markets, a factor that could be confirmed by Thursday's round of monthly USDA crop production and supply and demand reports. However, it is interesting to note that the forward curve for the corn and soybean markets don't necessarily agree with bullish pre-report estimates. Both still show a solid carry situation, for the most part, indicating commercial traders still hold a neutral to bearish long-term outlook.

Energies: Despite talk of OPEC increasing its output quota, the Brent crude oil market exploded Tuesday, rallying almost \$3. West Texas Intermediate crude oil, on the other hand, seemed reluctant to follow as it mustered a modest gain of almost 70 cents. Domestic crude oil remains locked in a sideways trading range, with bearish fundamentals continuing to keep a lid on buying enthusiasm. The market, as well as RBOB¹ gasoline, could come under renewed pressure Wednesday if the weekly EIA² stocks report shows another build in stocks for both, as indicated by the strengthening carry and weakening contango³ in the respective forward curves last week.

Metals: With no fresh economic news to provide direction, metals markets seemed to switch roles Tuesday as industrials rallied and gold came under pressure. This pattern could continue Wednesday as traders square some of their positions in front of Thursday's jobless claims report. Longer-term gold remains the more bullish of the three metals, though buying enthusiasm has died down considerably as the more actively traded August contract trades near \$1,550.

	1 Day Return	5 Day Return	30 Day Return
S&P 500	0.58%	-1.49%	-3.61%
30 Y Bonds	0.05%	-0.66%	3.48%
EuroFX	1.47%	2.19%	0.48%

Corn	0.61%	-2.90%	-3.88%
Soybeans	0.78%	0.56%	0.81%
Wheat	-1.38%	-3.36%	-9.55%
Crude Oil	0.07%	-1.21%	-11.70%
Heating Oil	1.94%	2.24%	-4.21%
RBOB Gasoline	1.09%	0.16%	-11.17%
Natural Gas	-0.33%	3.93%	9.66%
Gold	-0.15%	0.12%	2.74%
Silver	0.55%	-1.88%	-17.93%
Copper	0.18%	1.01%	-4.03%

Data provided by **Telvent DTN ProphetX®**

data current as of (CT): 2:57 PM

On the calendar for Wednesday:

Grains – The grain sector could grow thin as traders head to the sidelines in front of Thursday's USDA crop production and supply and demand reports. While volume might be light, trading ranges could be wide Wednesday.

Energies – Another Wednesday means another weekly EIA stocks report (10:30 ET). Futures spread activity indicates crude oil should see a slight build; heating oil (distillates), a small draw; and gasoline, a build in stocks.

Metals – Once again, there is little fresh news to provide direction in the metals markets. This could allow prices to continue in their current trends until Thursday's more meaningful economic numbers come out.

By Darin Newsom, DTN Senior Analyst

Footnotes:

(1) RBOB: Reformulated gasoline blendstock for oxygen blending; unleaded gasoline ready for the addition of 10% ethanol at the truck rack. It is a benchmark for unleaded gasoline.

(2) EIA: Energy Information Administration.

(3) Contango: The structure of a futures market, called a carry in grain-market terminology, when subsequent contracts trade at a progressively higher level (i.e., the first deferred contract is priced higher

than the nearby contract). A contango that is getting smaller (narrower) indicates commercials are becoming more bullish, while one that is getting wider indicates commercials are becoming more neutral or bearish. For example, a contango would exist if the March unleaded gasoline contract's price is \$2.80, the April contract's price is \$2.90 and the May contract's price is \$3.

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