

Brent to WTI premium gapping higher

- Crude oil benchmarks ended mixed again. The unexpected jump in US oil and product inventories reported yesterday continued to weigh on US WTI, which ended 1.7% lower at USD 95.93/bbl. But conversely, ongoing tensions in Iran and Syria continued to set a more nervous tone in European oil markets. UK Brent crude rose 1.2% to USD 111.91/bbl, resulting in the Brent to WTI premium rising to its highest level since 8 November 2011.
- US jobless claims fell by 12,000 to 367,000 last week. The number of people still receiving unemployment benefits fell by 130,000 to 3.4 million - the lowest since September 2008. US non-farm productivity rose by 0.7pct over 2011 - marking the slowest rate since 2008. Unit labour costs rose at a 1.2pct rate in the fourth quarter against expectations of 0.8pct. The increase in wages pointed to moderate inflationary pressures. France and Spain auctioned successfully in the primary markets. Spain sold EUR 4.56 billion of 2015, 2016 and 2017 bonds. Yields were significantly lower than in late 2011, bid covers healthy. Spain has now issued over EUR 22 billion of bonds and notes in 2012. The provisional net issuance target for the year for bonds and notes is EUR 36 billion, with gross issuance expected to total EUR 86 billion.
- Base metals closed flat to lower as buying interest remained muted in China following the end of the Lunar New Year holiday last week. Precious metals rose as the US dollar eased.
- Spot iron ore edged another 0.2% higher to USD 143.10./t as buyers continued to return from Chinese New Year with a slightly more positive tone towards the market.

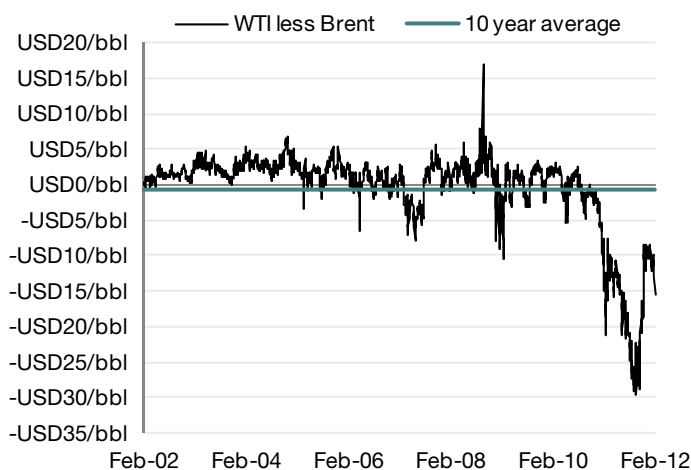
Chart of the Day: Brent to WTI premium gaps higher on renewed mid-east tension

- The UK Brent to US WTI crude oil price premium is gapping higher once more after narrowing considerably over recent months (refer to chart). The premium is now at ~USD15.64/bbl, the highest level since early November 2011, and could move higher over coming months.
- The jump in the premium reflects, as far as we can tell, re-assertion of themes that were responsible for the premium developing through 2011. Firstly, US WTI crude oil prices are weaker at the moment, under the weight of high and growing US onshore crude inventories and relatively weak US demand. Secondly, UK Brent prices appear to be building in a larger geopolitical risk premium due to ongoing tensions around Iran's alleged nuclear weapons programme, as well as continued civil unrest in Syria and Egypt. Markets remain cautious towards the security of supply from the Middle East currently.
- A further escalation of tensions with Iran – either through that country's threats to close the Strait of Hormuz, or through western military strikes against Iran, would likely drive UK Brent well north toward USD 150/bbl.

Overnight Price Moves (full table over)		02-Feb-12	
New York (Dow Jones IA)		12,717	0.0%
London (FTSE 100)		5,796	0.1%
AUD/USD (as at 03-Feb-12)		1.0708	0.0%
LME Metals (02-Feb)			
	USD/t	USc/lb	% chg
Aluminium	\$2,159	98	-3.1%
Copper	\$8,322	377	-1.1%
Lead	\$2,133	97	-3.3%
Nickel	\$20,791	943	-0.5%
Tin	\$24,106	1,093	0.0%
Zinc	\$2,079	94	-1.6%
Iron ore & Steel			
	USD/t		% chg
Iron ore (62% Fe, cfr China)	\$143.10		0.2%
Steel Billet (LME)	\$503		1.1%
Precious Metals			
Gold			
Spot (USD/oz)	\$1,759.43		0.9%
Comex (USD/oz) *	\$1,759.10		0.7%
AUD spot (AUD/oz)	\$1,642.49		1.0%
Silver (USD/oz)	\$34.34		1.9%
Platinum (USD/oz)	\$1,631.25		0.8%
Palladium (USD/oz)	\$708.50		1.7%
Oil			
NYMEX light sweet crude (USD/bbl) *	\$95.93		-1.7%
Brent (USD/bbl)	\$111.91		1.2%
Singapore TAPIS (USD/bbl)	\$121.13		0.3%

Source: Bloomberg, globalCOAL, CBA. Prices are indicative and subject to change. Oz refers to Troy ounce. * Near month.

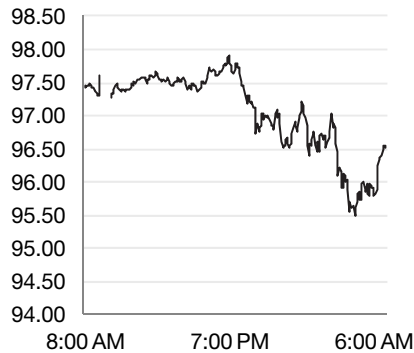
Chart of the Day: Brent to WTI premium gapping higher again on renewed mid-east tension



Source: Bloomberg, CBA

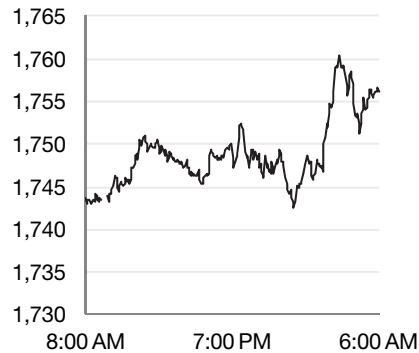


Figure 1: NYMEX light sweet crude (US/bbl) first month intraday price



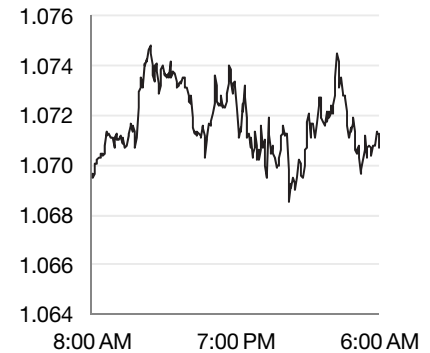
Source: Bloomberg, CBA. 5 min intervals.

Figure 2: Gold (spot, US/oz) intraday price



Source: Bloomberg, CBA. 5 min intervals.

Figure 3: Australian dollar (USD/AUD) intraday price



Source: Bloomberg, CBA. 5 min intervals.

Overnight Market Price Snapshot

LME Metals (02-Feb)			change over			change over					
Cash	USD/t	USc/lb	day	week	month	Oil	USD/bl	day	week	month	
Aluminium	\$2,159	98	-3.1%	-3.8%	7.2%	NYMEX light sweet crude **	\$95.93	-1.7%	-3.8%	-5.8%	
Copper	\$8,322	377	-1.1%	-3.0%	10.6%	Brent (Dated)	\$111.91	1.2%	1.5%	-0.2%	
Lead	\$2,133	97	-3.3%	-7.3%	7.5%	Singapore TAPIS	\$121.13	0.3%	1.4%	-1.9%	
Nickel	\$20,791	943	-0.5%	-3.5%	11.3%	Dubai	\$109.41	0.0%	-0.1%	-0.6%	
Tin	\$24,106	1,093	0.0%	0.6%	21.7%	Refined products, Singapore					
Zinc	\$2,079	94	-1.6%	-5.0%	14.3%	Gas Oil (USD/bbl) ***	\$129	0.2%	1.0%	-0.8%	
Steel Billet	\$503	na	1.1%	-1.9%	-6.6%	Jet Fuel (USD/bbl)	\$128	0.7%	1.2%	-0.7%	
						Fuel Oil (USD/t) ****	\$722	0.1%	-0.8%	-0.7%	
Futures (3 mth)						Currencies (as at 03-Feb-12)					
Aluminium	\$2,195	100	-3.1%	-3.6%	7.8%	AUD/USD (London close)	1.0708	0.0%	0.7%	4.3%	
Copper	\$8,345	379	-1.1%	-2.9%	10.7%	AUD/EUR	0.8147	0.0%	0.7%	1.6%	
Lead	\$2,164	98	-3.2%	-6.9%	7.9%	AUD/JPY	81.577	-0.2%	-1.0%	3.0%	
Nickel	\$20,875	947	-0.5%	-3.4%	11.8%	AUD/CNY	6.751	-0.2%	0.5%	4.4%	
Tin	\$24,150	1,095	0.0%	0.6%	21.7%	AUD/KOR	1,197	-0.6%	0.4%	1.0%	
Zinc	\$2,095	95	-1.7%	-5.0%	14.3%	EUR/USD	1.315	-0.3%	0.0%	2.8%	
Steel Billet	\$518	na	1.0%	-0.5%	-3.3%	Coal*					
Stocks			tonnes			Newcastle	USD/t	~	~	~	
Aluminium	4,992,500		-3,775	-7,650	11,875	Richards Bay	~	~	~	~	
Copper	328,675		-625	-9,200	-39,725	DES ARA	~	~	~	~	
Lead	370,000		3,775	25,475	18,150	Iron ore & Steel					
Nickel	95,850		252	1,398	6,012	Iron ore (62% Fe, cfr China)	USD/t	\$143.10	0.2%	2.4%	2.3%
Tin	9,200		25	-465	-2,160	China domestic Rebar	\$656.93	0.3%	~	-0.7%	
Zinc	841,050		-1,450	-7,450	20,150	East Asia HRC (cfr) *****	\$630.00	0.0%	0.0%	0.0%	
Steel Billet	67,080		0	-325	-6,825	US domestic HRC (US/st) *****	\$735.00	0.0%	0.0%	5.0%	
Precious Metals						Equity & Debt Capital Markets					
Gold	USD/oz (unless stated otherwise)					New York (Dow Jones IA)	12,717	0.0%	-0.1%	2.4%	
Spot	\$1,759.43		0.9%	2.3%	8.4%	London (FTSE 100)	5,796	0.1%	0.0%	3.1%	
Comex *	\$1,759.10		0.7%	1.9%	8.6%	Europe (EuroStoxx50)	2,478	0.3%	0.7%	7.0%	
AUD spot (AUD/oz)	\$1,642.49		1.0%	1.5%	3.9%	Toronto (Metals & Mining)	4,094	1.1%	1.3%	5.4%	
Silver	\$34.34		1.9%	2.6%	17.0%	Philadelphia Gold & Silver Index	202.9	1.0%	1.5%	7.3%	
Platinum	\$1,631.25		0.8%	1.3%	15.3%	US 2 year bond yield					
Palladium	\$708.50		1.7%	2.4%	11.1%	0.224%					
Natural Gas						US 10 year bond yield					
Henry Hub (USD/MMBtu) **	\$2.553		7.2%	-2.0%	-14.3%	1.826%					
British NBP (GBP/therm) **	58.48		2.6%	8.6%	10.4%	-0.1%					

Source: Bloomberg, globalCOAL, CBA. Data is indicative and prices subject to change. * Near Month (not adjusted for contract changes). ** Weekly, 27/01 *** Gas Oil is 0.5% sulphur. **** Fuel Oil is 180 centistoke. ***** Weekly, 31/01



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