From: Daniel Sabba <[redacted]
To: "'jeevacation@gmail.com'" <jeevacation@gmail.com>
Cc: Vahe Stepanian <[redacted]
Subject: Fw: EOD Commodities Note - 30 Jan
Sent: Sunday, February 1, 2015 2:18:25 AM

Classification: Public

See below. Friday's large realized volatility was negative to short delta hedged straddle strategy. WTI rallied 9%. Strategy was down about 2%.

From: Stavros Valavanis
Sent: Friday, January 30, 2015 05:38 PM
Subject: EOD Commodities Note - 30 Jan

Classification: **Public**

Oil

Days like this make me love being an oil trader. What was looking like a quiet day ended explosively as WTI rallied 9% and closed above 48$; this is the biggest 1 day rally in 2.5 years (on a % basis) . The market has been watching companies slash capex left and right and has been getting more jittery and the impetus for the large stpout rally today was the large drop in oil rigs from baker hughes which fell by 94 down to 1223; and 66 of the 94 were horizontal rigs, which produce more than vertical ones. This is the biggest rig drop in the Baker Hughes historical data (dating back to 1987). Since the market is uber short, we understandably rallied like crazy. One other factor in todays rally was that ISIS launched a surprise attack against the Kurds in Iraq near some oil producing regions…In the North Sea, the window was quiet, with some offers there in Ekofisk and Forties at levels above where the most recent assessments had been. Also, 3 Oseberg cargoes for January were deferred to February, which added a bit of a bullish tone to the prompt BRE spreads. Boxes and the arb still were weak today although they had a volatile day.

Oil Vols

Vols were offered during most of the day but prompt vols snapped back as we rallied heavily into the close, as being short gamma in such an environment is tricky. We saw interest in buying calls and selling puts across the board. An interesting thing to note is that the WTI/BRE vol spread continued widening today. We hear there are serious buyers of ATM cal16 WTI/BRE vol spread. I don't know what to make of the fact that m15 wti/bre is 6.4 vols difference, and to me it seems like it should be sold, especially if you think that we may have set a bottom in wti over the past few days. I mean how much more can the arb widen to justify such a difference in vols. Yes I think the arb could trade lower, but 6.5 vol premium of WTI over bre seems excessive…

	WTI (/change)	BRE (/change)
H15	56.70% +2.35%	46.50% +1.10%
M15	44.90% +0.20%	38.50% 0.00%
Z15	33.00% 0.00%	30.30% -0.20%
Z16	24.65% +0.25%	23.45% -0.35%

BASE METALS

3m lvls	dod change	support	resistance
Al $1864	+$45	$1850	$1900
Cu $5495	+$100	$5400	$5500
Zn $2125	+$35	$2100	$2200
Ni $15,165	+$265	$15,000	$15,500
Pb $1859.5	-$0.5	$1850	$2000

The base complex traded up on strong personal consumption data in the US, perhaps indicating growth to come and strong retail sales in Germany giving hope to Europe. China's SRB told Reuters that they are planning to only buy 200kMT of copper in 2015 vs 350 kMT that was assumed earlier and an estimated 500 kMT in 2014. Chinese PMI data, due to be posted this weekend is surveyed up, but a slew of negative data in recent weeks suggests that it might disappoint, leading to big losses over the weekend. Chalco, China's biggest aluminum producer posted a net loss of $2.61bn in 2014.Nickel ore stocks have been declining at Chinese ports for 10 weeks. If Chinese producers restock post Chinese New Year prices could jump.

Shanghai Aluminum on warrant stocks are down 0.98% to 55.4 kMT. LME Aluminum on warrant stocks are flat at 1731.6 kMT. Shanghai Copper on warrant stocks are down 3.35% to 37.7 kMT. LME Copper stocks are up 0.17% to 225 kMT. LME Nickel stocks are up 0.04% to 312.5 kMT.

Copper Vols are up 3.2% in Feb, down 0.7% in the back, Ali Vols are down 0.61%, Nickel Vols are down 0.48%, Lead Vols are unch Zinc Vols are unch

Upcoming data

30/1-German Retail Sales YoY-surv 3.6%, Act 4%, prioe -.8%, Revised -1%
30/1-EC Unemployment rate-surv 11.5%, Act 11.4%, prior 11.5%
30/1-EC CPI Core YoY-surv 0.7%, Actual 0.6%, Prior 0.7%
30/1- US GDP Annualized QoQ-Surv 3%, Actual 2.6%,prior 5%
30/1-US Personal Consumption-Surv 4%, Actual4.3%, Prior 3.2%

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