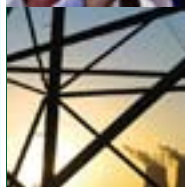


**platts**  
100 YEARS



# Commodities and finance: An unsteady relationship

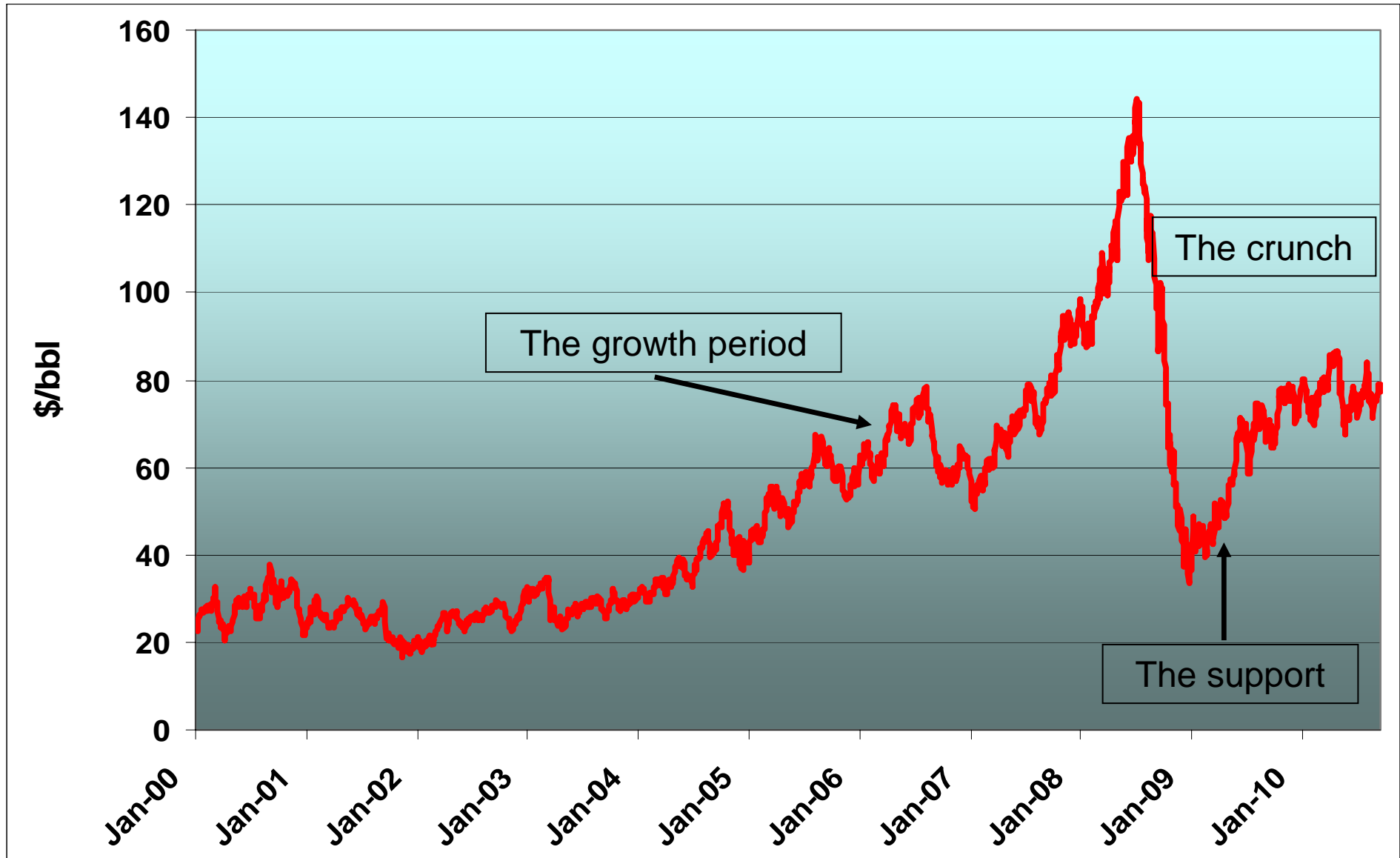
September 21, 2010

**Jorge Montepeque**  
**Global Director Market Reports**  
**Platts**

# Agenda

- Fundamental drivers in commodity markets
- Examples of market fundamentals at work
- Major trends in oil markets
- Energy markets are shifting outside of OECD
- US energy markets start to lose prominence
- Russian exports to the East: ESPO
- Commodity price discovery is moving East
- Agriculturals, metals and energy react to same drivers
- Impact of Chinese market on world commodities

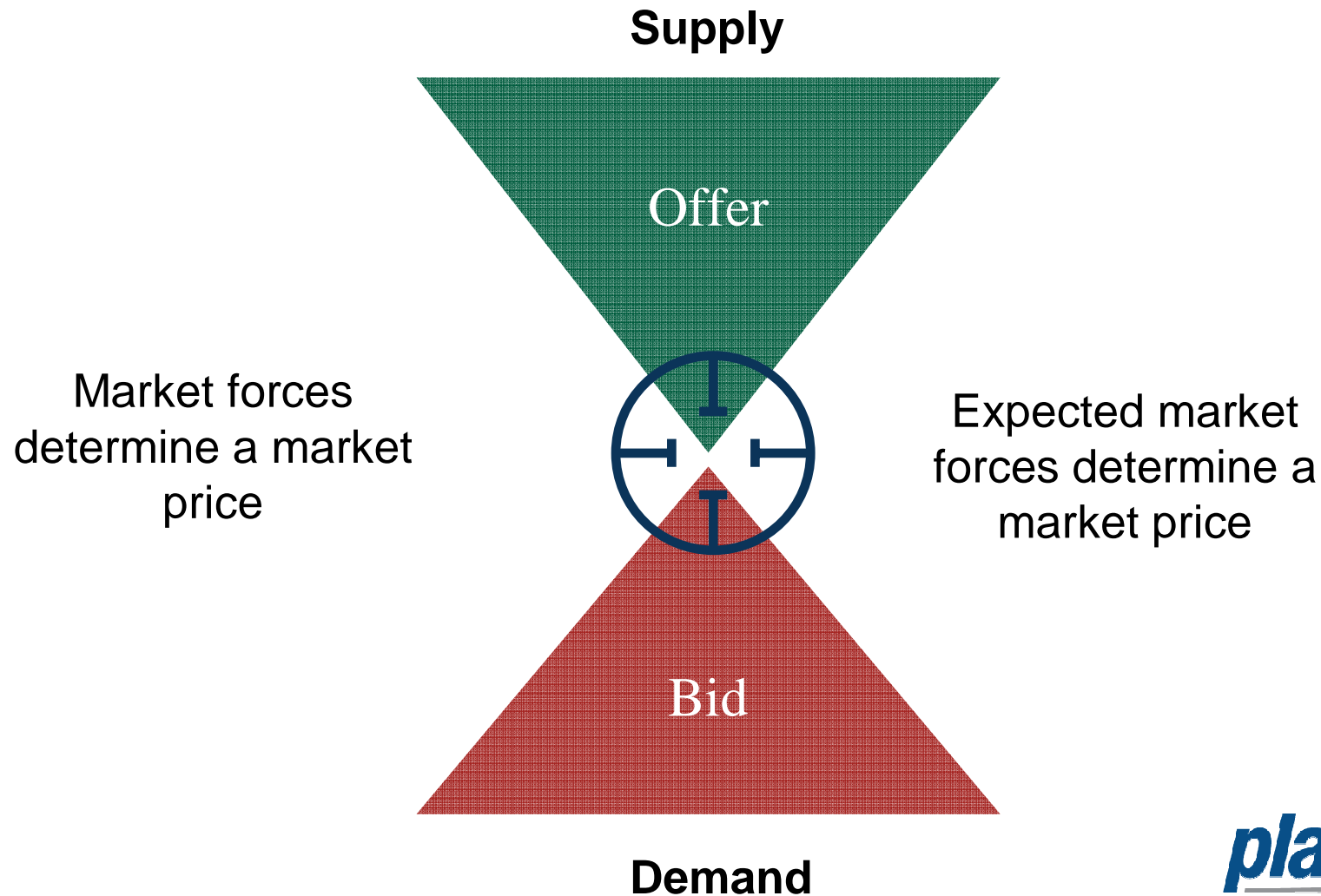
# Dated Brent: The last decade



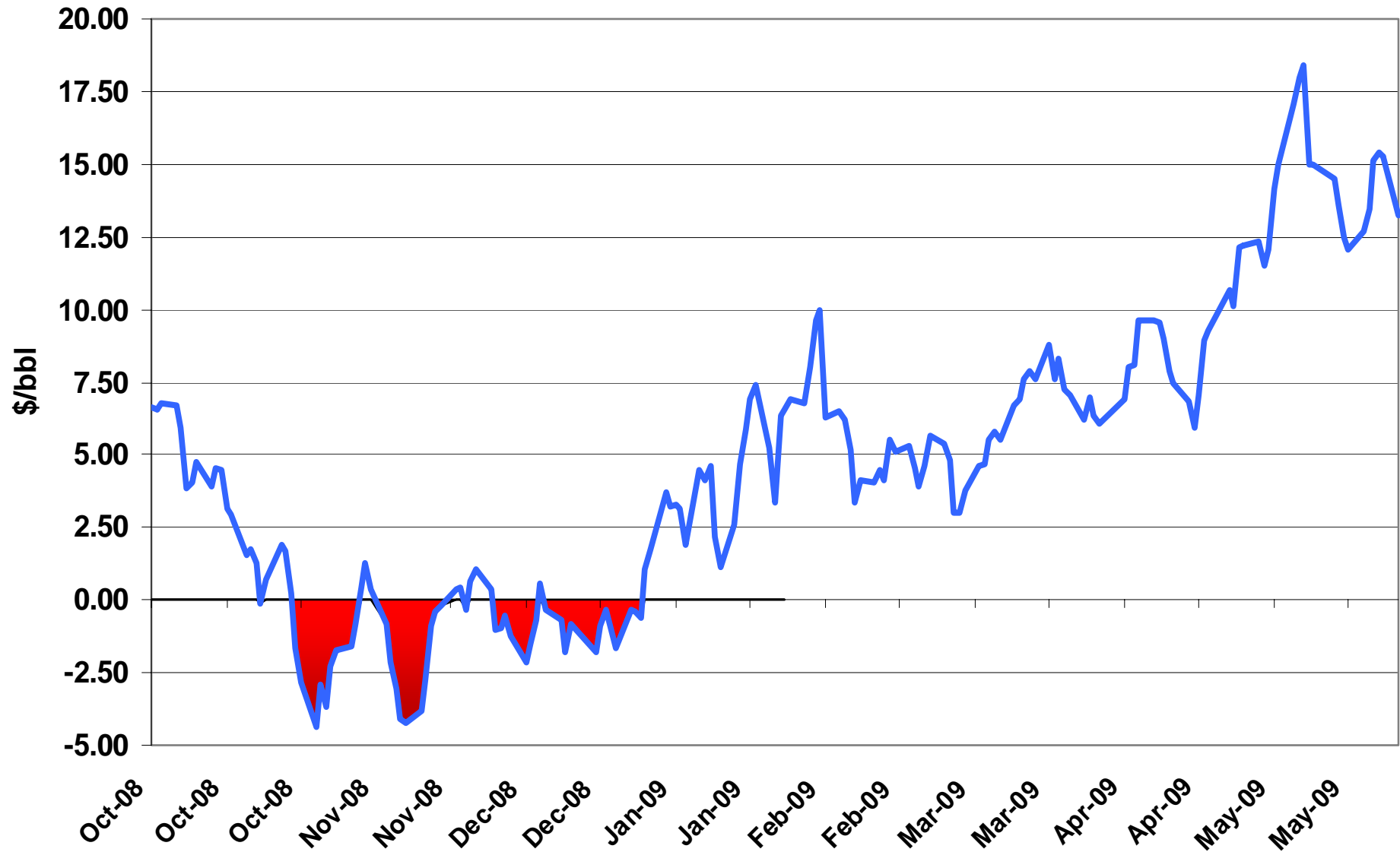
## Price drivers

- Current and expected demand
- Current and expected supply
- Interest rates
- Changes in money supply
- Changes in monetary, fiscal policies and product regulations
- Impact of unforeseen events, weather, political instability, accidents....

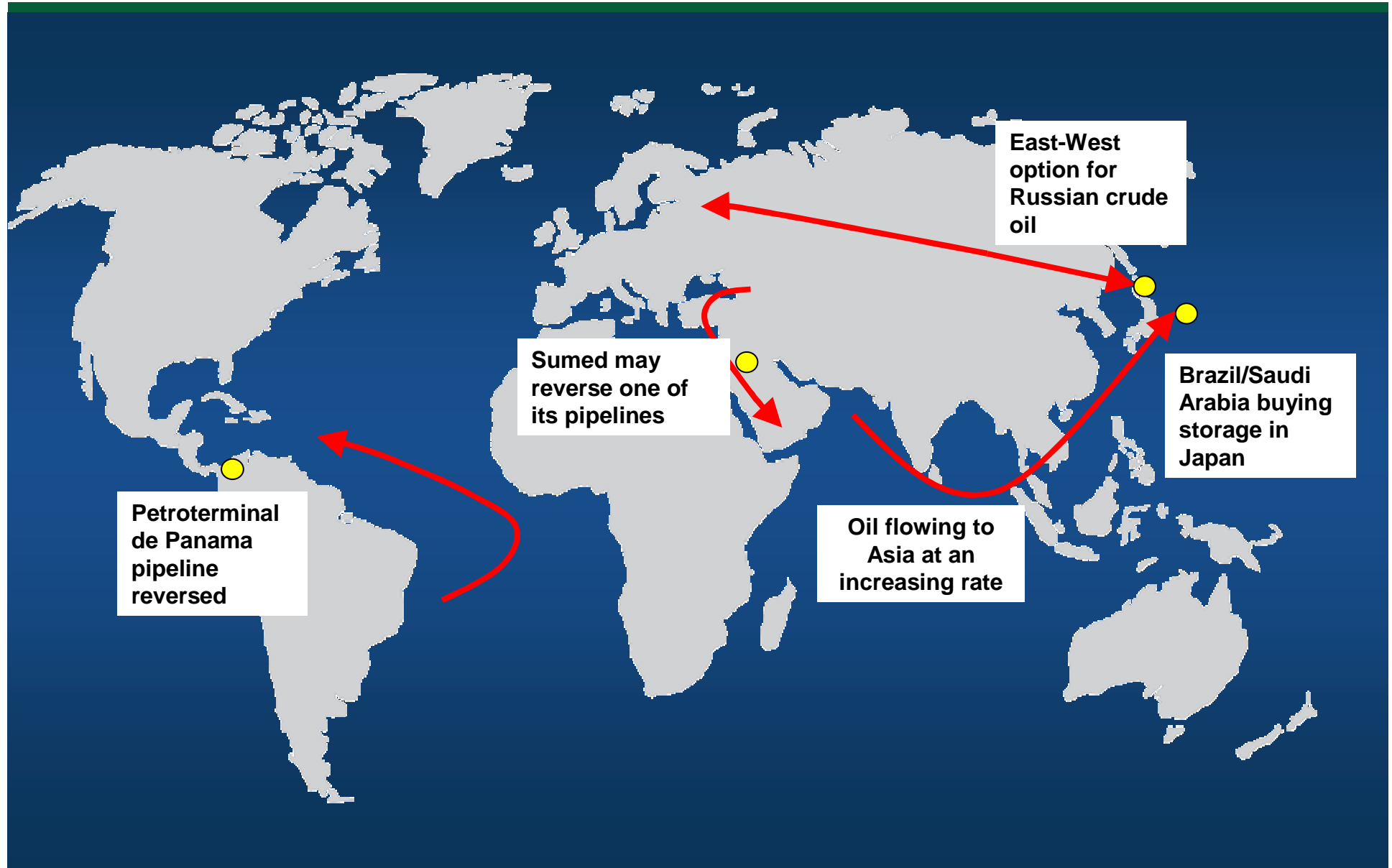
# Prices are determined in the marketplace



# Economic crunch drove gasoline prices below crude oil



# New global crude oil flow trends



## Asian market size attracts attention

- Russia undertakes massive development project to reset oil flows in its vast territory and export ESPO to Asian markets
- Russia targeted initial flow of 300,000 b/d out of the port of Kozmino for early 2010 rising to 600,000 b/d by end of year
- Saudi Arabia exits St Eustatius storage facility that feeds US markets
- Saudi Arabia obtains storage facility in Japan to feed Asian markets
- Iraqis and Iranians target Asian markets
- Brazil acquires storage facility in Japan
- Continuous expansion in Korea tankage facilities

## Key issues alter world economics and oil flows

- The world is in the process of resetting, with economic vigor transferred to the East and away from 'old' economies
- China's growth continues at a rapid pace and set to achieve economic lifestyles similar to other Asian standards
- China has become the largest waterborne crude oil importing market in the East and will become the largest globally in the next few years. China is already the largest metals importer.
- High oil prices foster growth in domestic consumption in Middle East with producers gnawing away at their own supplies due to non-market internal pricing and end-user subsidies
- Western economies still coping with credit crunch aftermath, quantitative easing sparks fears of inflation and weakens currencies
- Budgets are dry with borrowing less likely due to soaring external debt

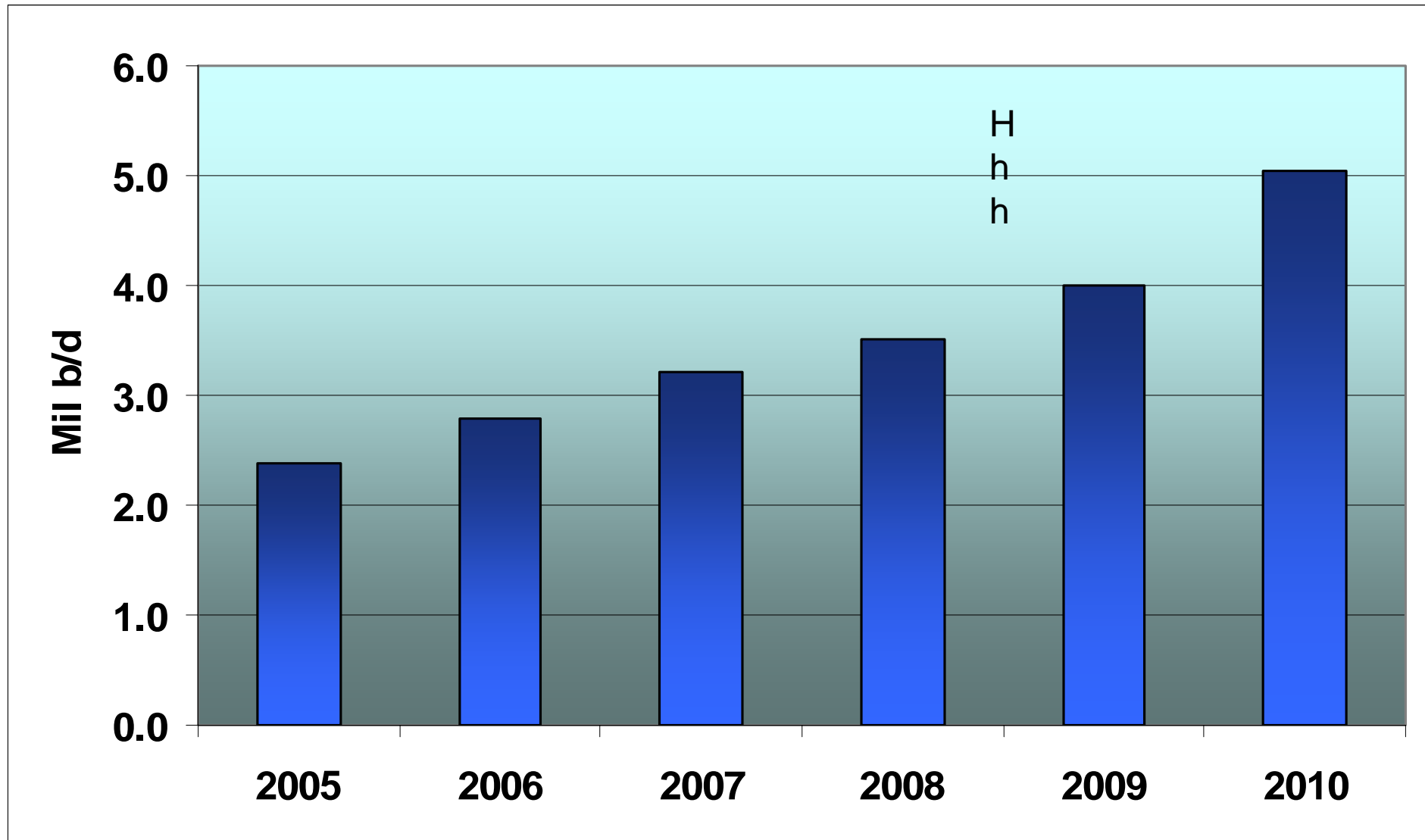
# ESPO Pipeline Project



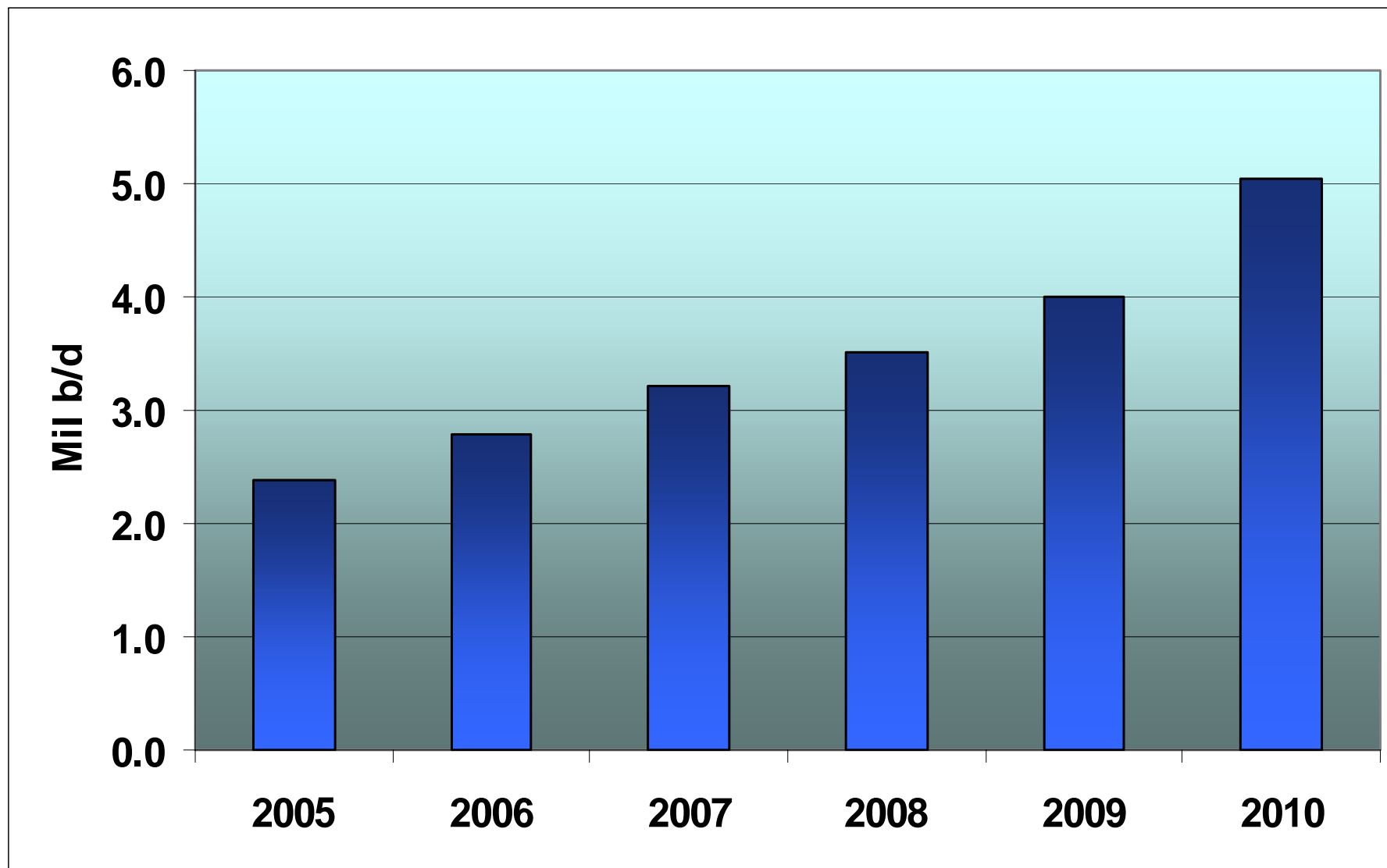
## ESPO - key facts and figures

- First ESPO cargo loaded December 27-29, 2009
- January exports – 218,000 b/d
- February exports – 268,000 b/d
- March exports – 302,000 b/d
- April exports – 325,000 b/d
- May exports – 327,000 b/d
- June exports – 338,000 b/d
- July exports – 327,000 b/d

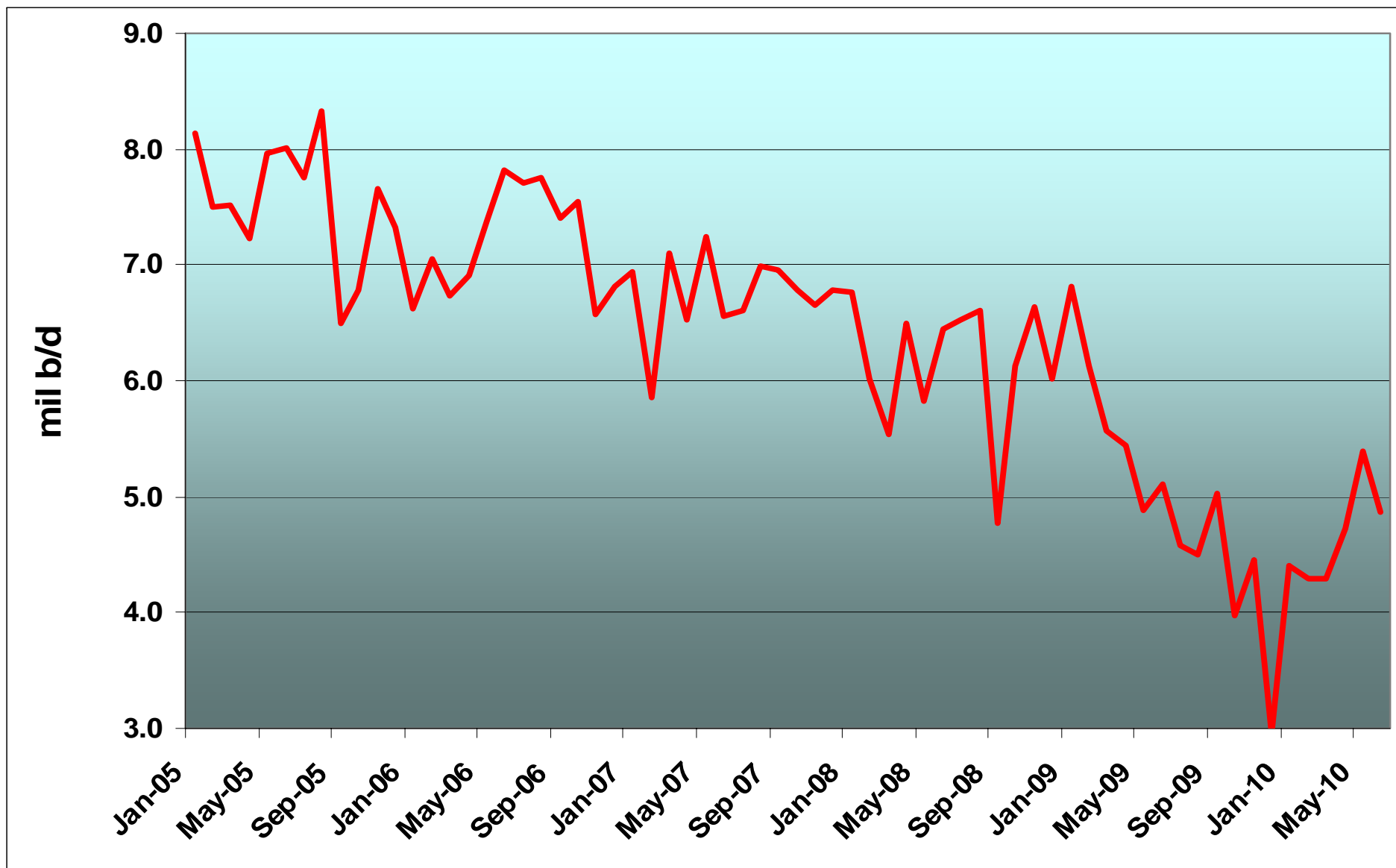
# China's imports of oil set to overshadow the US



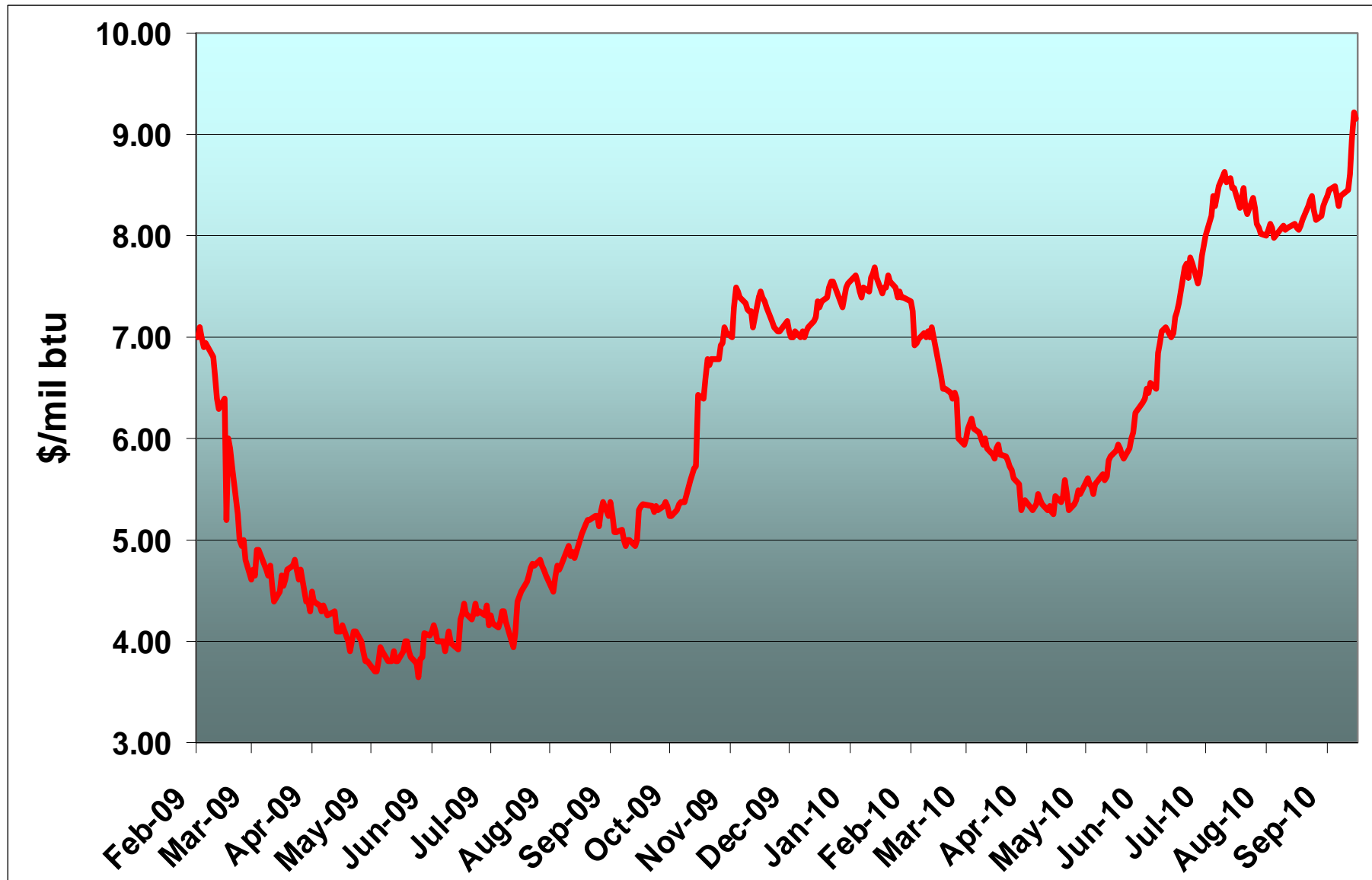
## China's crude oil imports



# Difference between the US and China crude oil imports

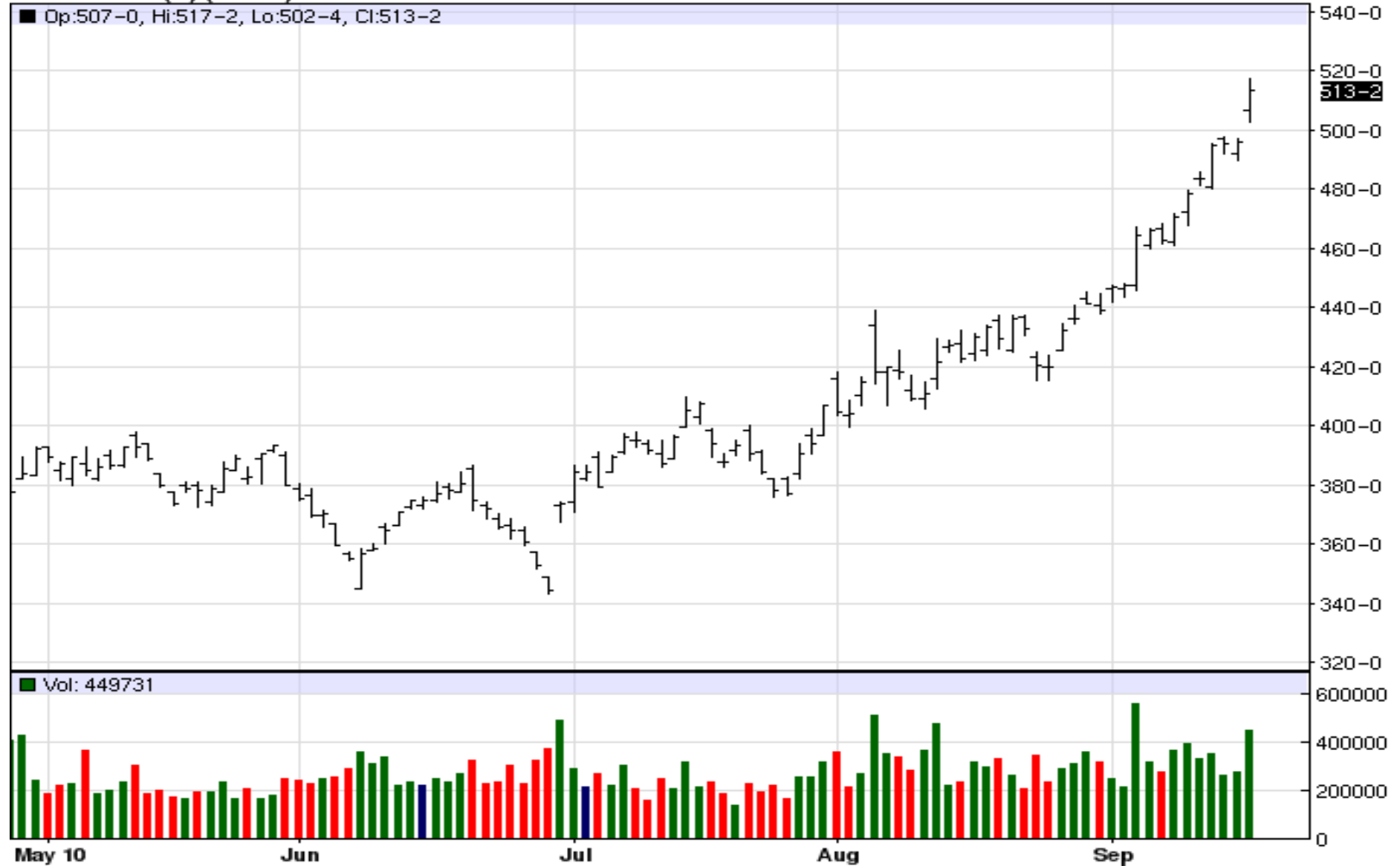


# LNG powers ahead



# Corn Prices

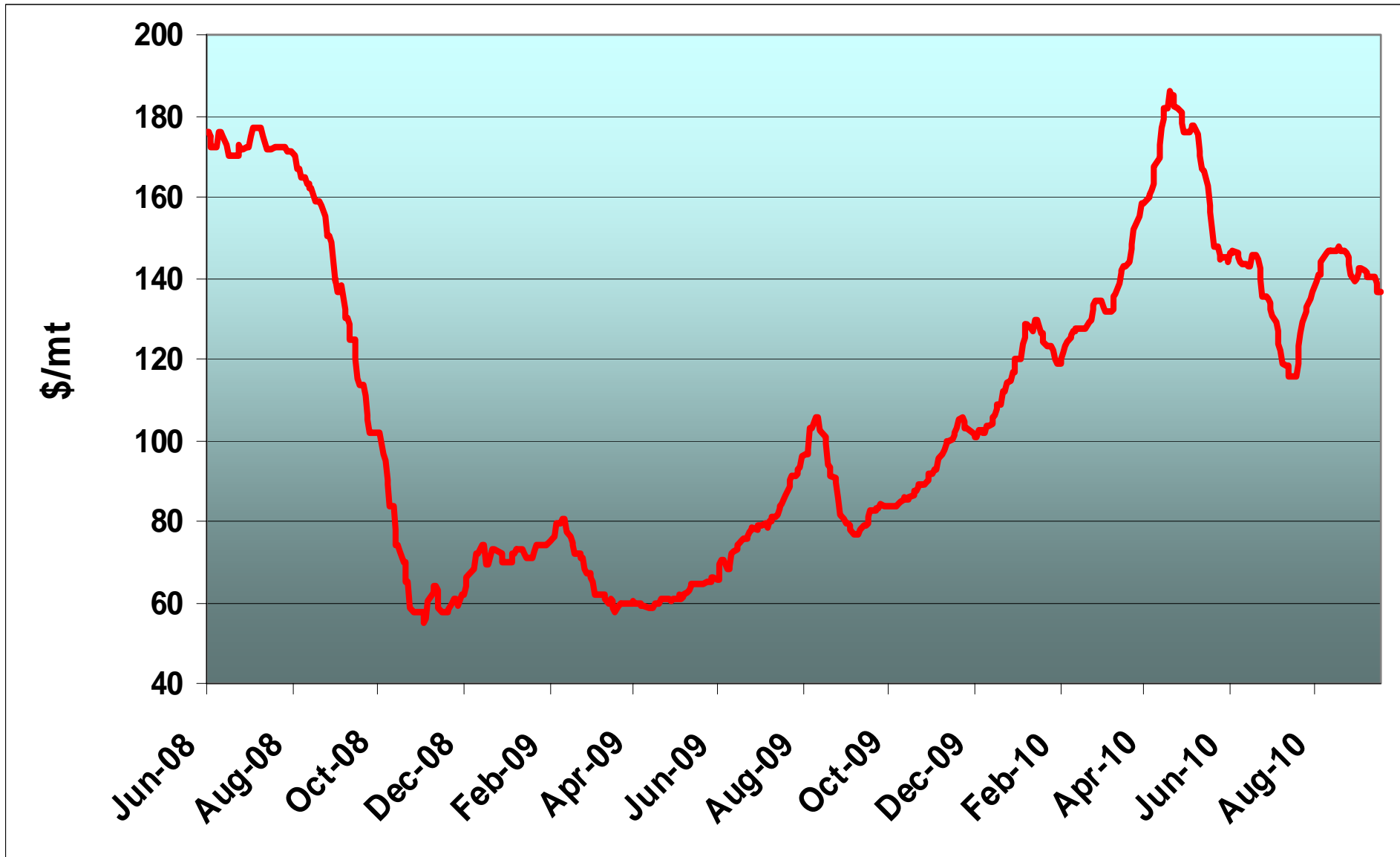
CZ10 - Corn (P) (CBOT)



## China drives the metals markets

- China imports about 40% of the world's metals supply
- China consumes about 600 million metric tonnes of iron ore out of a 1,700 million metric tonnes market
- China is the main participant in the iron ore spot market, buying about 150 million metric tonnes per annum spot
- Price discovery of iron ore is focused on the waterborne market delivered into China

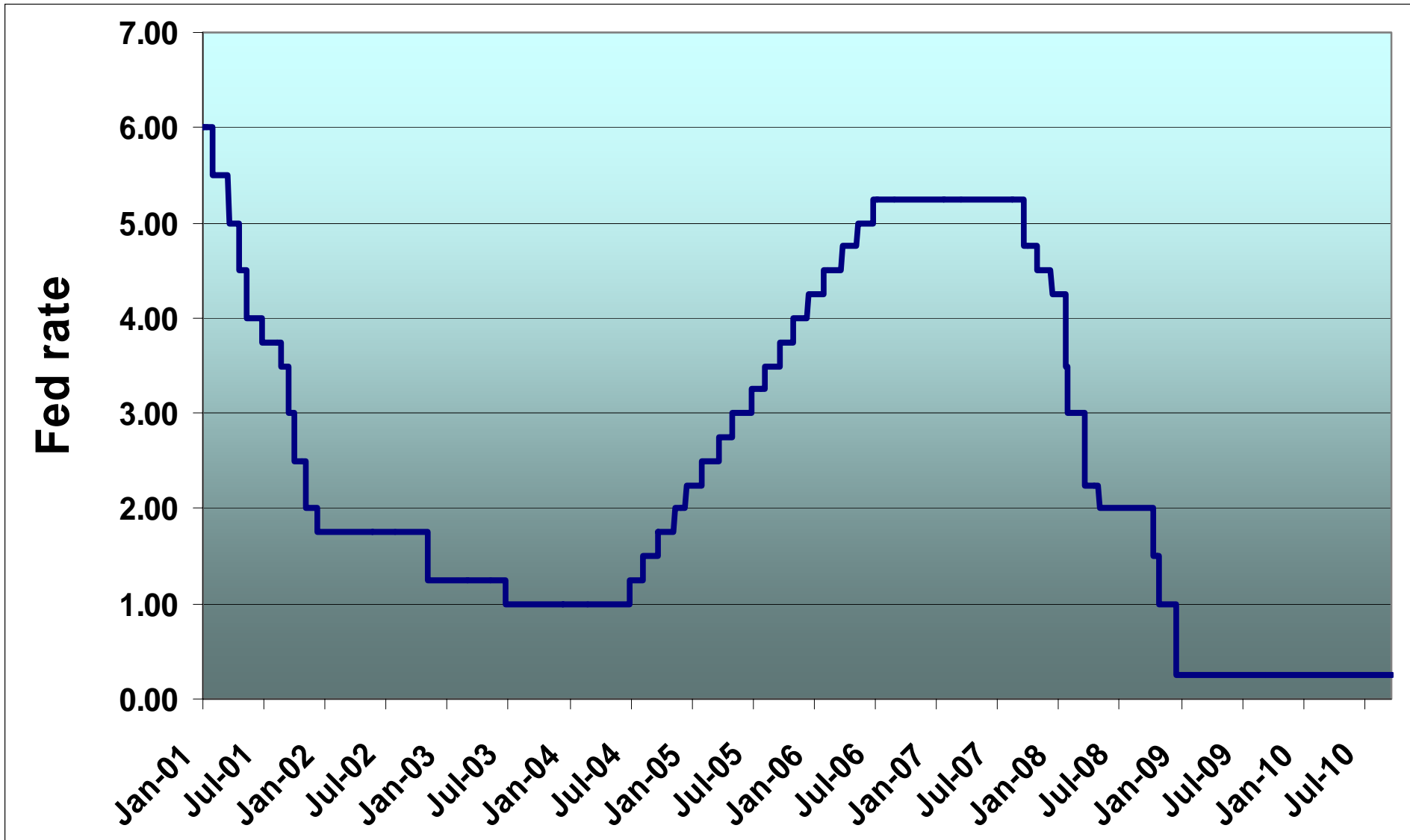
# Iron Ore CFR China



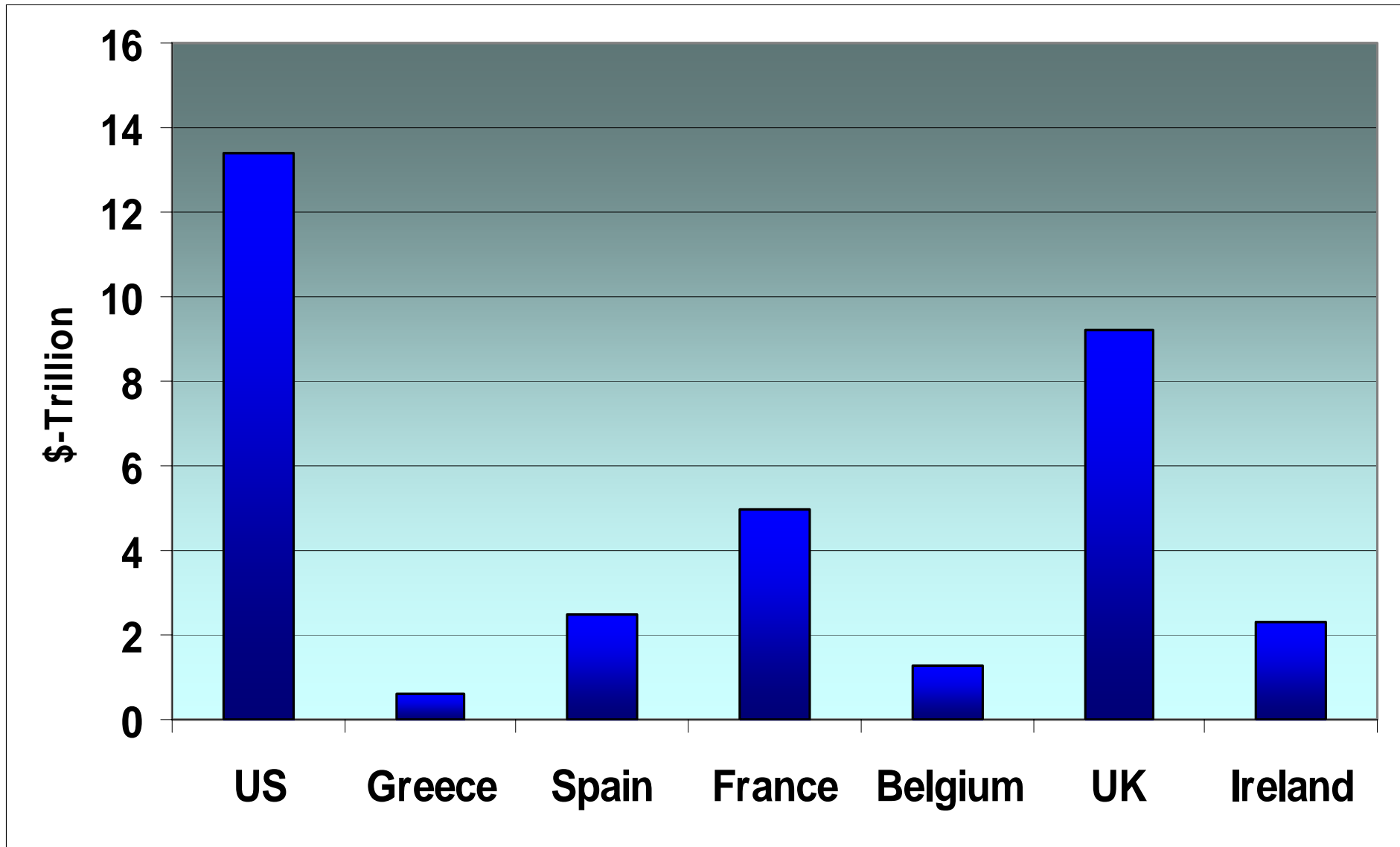
# Dated Brent vs IODEX



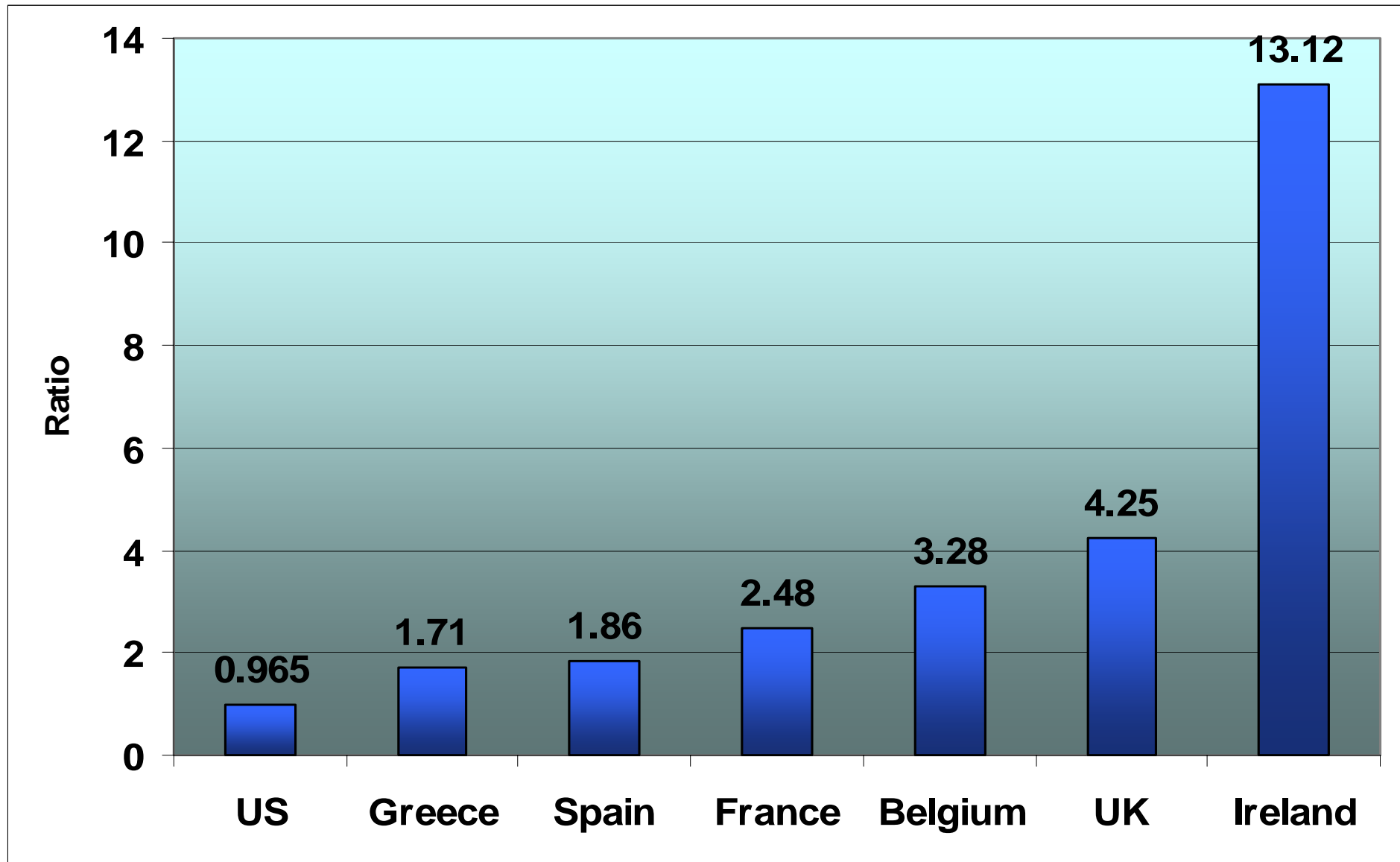
# Federal Fund Rate



# External Debt



## External debt to GDP ratio



Thank you