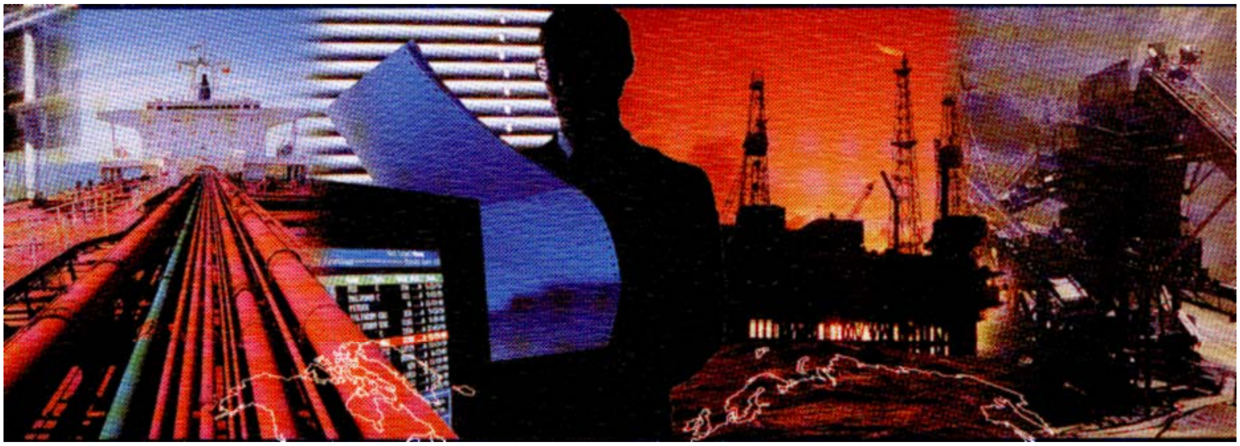
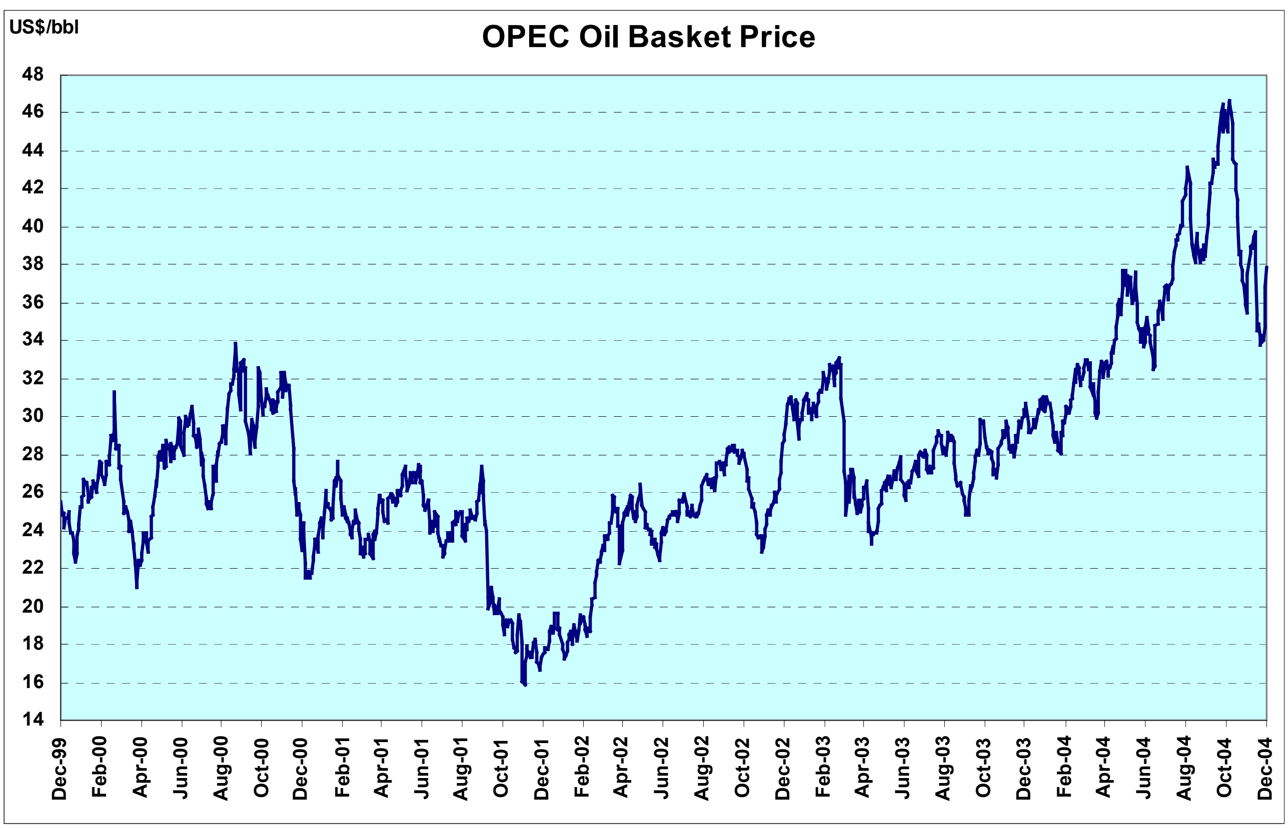
BNP PARIBAS
Energy Commodities Export Project

MARKETS DATA



December 17th, 2004

The Markets at a Glance



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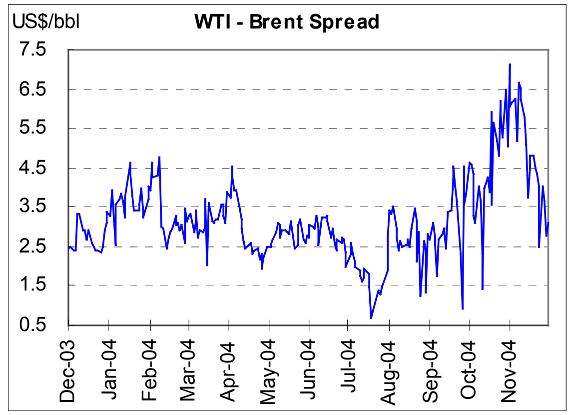
ENERGY

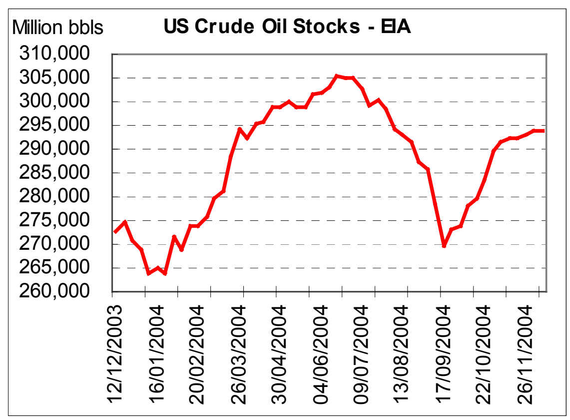
Crude Oil

Winter has begun!

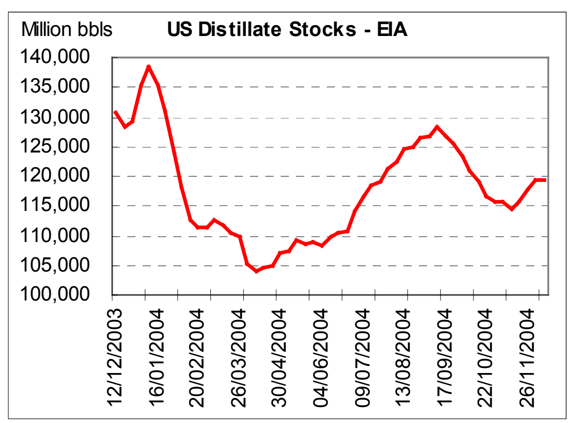


Over the past three weeks, oil prices continued the decline begun at the end of October until December 7, but have increased since then. Brent dated fell to USD 36.98/bbl on December 7 loosing 29% within six weeks while WTI Cushing fell to USD 41.47/bbl loosing 25%. Since then, Brent dated has increased till USD 41.8/bbl on December 17 (+13.1% within two weeks) and WTI Cushing till USD 44.2/bbl (+6.5% within two weeks). The spread between WTI and Brent declined significantly from USD 6.6/bbl on November 24 to USD 2.8/bbl on December 15.

The yoy oil prices variation continued to slowdown from its +78.0% peak on October 22 to 23.1% on December 13. However, it re-accelerated reaching +38.0% on December 17.



The oil market remained dominated by the US situation which drove oil prices drop and rebound. According to US Department of Energy data, until the week ending on November 26, crude oil stocks as well as distillate fuel oil stocks continued their rapid increase. Crude oil stocks reached 293.2 MM bbl (+23.6 MM bbl within ten weeks) and DFO reached 117.9 MM bbl (+3.3 MM bbl within two weeks). However, during the past two weeks, crude oil and DFO stocks showed very small increases (+0.5 MM bbl and +1.4 MM bbl respectively). Even more, during the last week, crude oil stocks showed first signs of decline (-0.1 MM bbl). API data indicated a worst picture on the DFO side reporting a 2.2 MM bbl decline. Those data disappointed market operators who expected a significant increase of those stocks. Combined with expectations of below normal temperature on the Eastern country, this recalled that distillates stocks remain low (-12.5% yoy).



On the fundamental side, the US market appears much more balanced. US apparent demand growth slowed significantly from an average of 3.5% in November at 1.8% during the past four weeks. DFO consumption remained dynamic with a yoy growth rate of 6.7% while gasoline consumption rebounded at 2.0%. Crude oil imports remained constantly above 10.0 MM bpd.

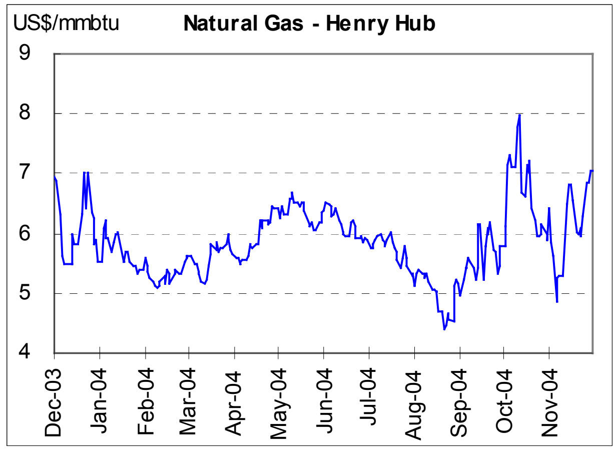
Following November oil prices drop, OPEC announced its intention to reduce its real production by 1 MM bpd from the beginning of January. However, this had no real impact on the market as most market operators expressed doubts about the actual will of the cartel to implement this cut.

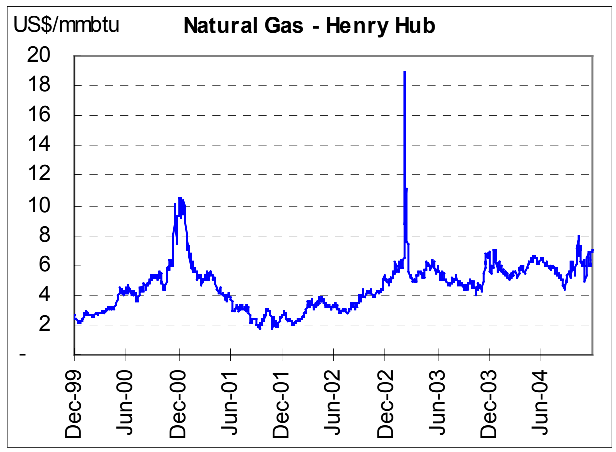
In its latest monthly report, the International Energy Agency did not revise significantly its forecast for Q4 2004 and 2005. World oil demand yoy growth is forecasted at +2.3% in Q4 2004 and at +1.7% in 2005 on average. 2005 quarterly profile indicated a significant deceleration in Q2 2005 as world oil demand growth would only reach 1.3% yoy. On the supply side, NOPEC oil production would grow by 2.2%. Considering the current level of OPEC production, the oil market would be oversupplied during 2005.

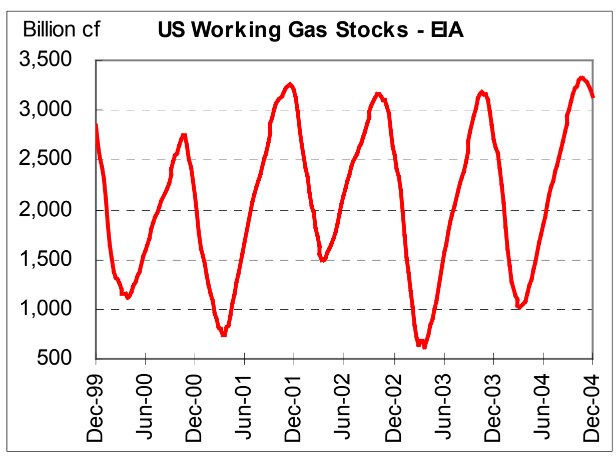
US Natural Gas

In the context of a well-balanced market and storage surplus, US natural gas changed direction and lost its November gain as heating demand increases.

November had demonstrated that the US natural gas market was more than normally supplied, with surplus gas in storage, and the Henry Hub reached a low on November at USD 4,86 / MMBtu, much more in line with the fundamentals. Since then spot prices sharply rose up to USD 7,00 level and closed yesterday, on December 16, at USD 6,87 / MMBtu, relatively equal to last year's level at the same time when industry had difficulty to cope with the demand and rebuild storage. On the Nymex, natural gas contracts finally joined the prices rally in December after the first large withdrawals from storage of the heating season, and are still trading with high premiuns to the spot. The contracts for delivery in January, February and March 2005 respectively reached lows on December 7 at USD 6,62 / MMBtu, USD 6,76 / MMBtu and USD 6,69 / MMBtu. The curve moved up to the USD 7,50 / MMBtu level yesterday, with a USD 1,60 / MMbtu spread, providing incentives to store. The market is still expecting a large growth of natural gas demand in colder months, being January and February.



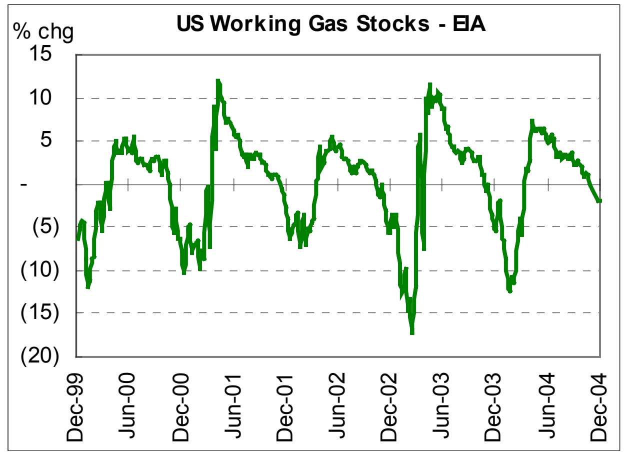




According to the US DOE Weekly Natural Gas Storage Report for the week endind December 11, total gas in storage amounted to 3,150 Bcf, after a net weekly withdrawal of 61 Bcf. This is 300 Bcf (10,5%) higher than last year and above the 5 year average. For the first five weeks of withdrawals, the total net withdrawal was 177 Bcf (of which 149 Bcf for the last two weeks) to be compared with last year's 377 Bcf withdrawal for the same period. The market has of course reacted to this colder weather. Indeed the NOAA has reported for the week ending December 11 that temperatures were 24% lower than normal (measured in Heating Degree Days), with coldness spread on most of the Eastern region of the Mississippi river.

Despite wintry conditions that explain a rise in prices, it seems in addition that the market is over-reacting to weather forecasts and over-estimates the demand for the winter. In a well supplied and already colder market spot and futures prices continue to trade over the equilibrium. It is difficult to say how things will evolve, whether spot will catch up with futures highs or whether spot and futures will both adjust to lower demand and stable production. Prices could not only go down but lower than expected by most of the analysts today. Whatever the evolution, volatility will remain extremely high and one can anticipate harsh changes depending on weather forecasts. In any case, domestic production will continue to show the efforts made by the producers despite largely diffused "declining reserves and historical shortage" alerts.

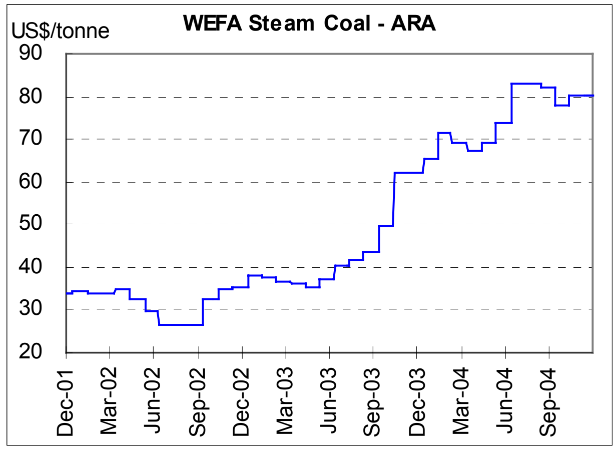
Actually, in the newly released Annual Energy Outlook 2005, the EIA expects domestic production to increase from 19,1 Tcf in 2003 to 21,8 Tcf in 2025, which is an average 0,6% per year and 2,2 Tcf lower than last year´s forecasts. Natural gas prices are also expected to go higher (wellhead prices to decline to USD per cubic feet in 2010 and increase thereafter to USD 4,79 / cf) and demand to grow more slowly than in previous projections. Total natural gas supply including contributions from Alaska and LNG imports is projected to increase at an average rate of 1,4% to 30,6 Tcf in 2025. LNG imports at the four existing terminals are all expected to increase until 2007 and new terminals are planned to be built. In the report LNG could represent 28% of the supply by 2025.



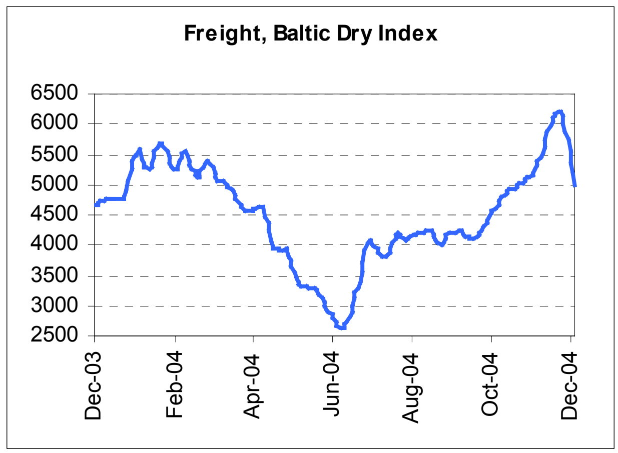
Coal

High freight rates have weighed on steam coal demand till early days of December but the recent freight rates correction should contribute to renew buying interests.

Since the end of October, the steam coal WEFA index has stood at US$80.32/tonne, down US$3 from its year pick registered in August but largely above its 2003 December level of US$62/tonne.
Meanwhile, the FOB Richards bay prices have significantly dropped from and average of US$58/tonne in November to US$53/tonne presently. Meanwhile, Newcastle prices have stabilized around their last month level at US$51/tonne.



The market started its traditional slowdown for the Christmas and New Year holidays early in this December as strong freight rates market have continued to keep buyers away. But sentiment in the steam coal market has changed very recently when a sudden correction in physical freight rates brought a significant renewed interest in the physical steam coal market.
Indeed, after having reached their highest in at least 15 years, freight rates have unexpectedly decreased from 6,208 on December 6th to 5,363 on December 15th.
Looking further ahead, traders are anticipating higher steam coal prices in 1Q05 as current contract negotiations are settled in a range of US$55-57/tonne FOB.



Coking coal: Platts *Coal Trader International* has recently reported that Japanese steel mills have finalised JFY 2005/06 contracts with *BHP Billiton-Mitsubishi Alliance* (BMA) at a price of US$125/tonne FOB for hard coking coal. This marked jump of US$68/tonne from the benchmark settlement reached by BMA in 2004, is a record high and reflects acute tightness on the supply side at a time of rapid growth in demand from China, India and Brazil.
Other leading Australian and Canadian suppliers of hard coking coal are expected to follow with similar terms to BMA.

European Power

Colder weather conditions and low wind German power generation have helped to keep both French and German day-ahead prices up.

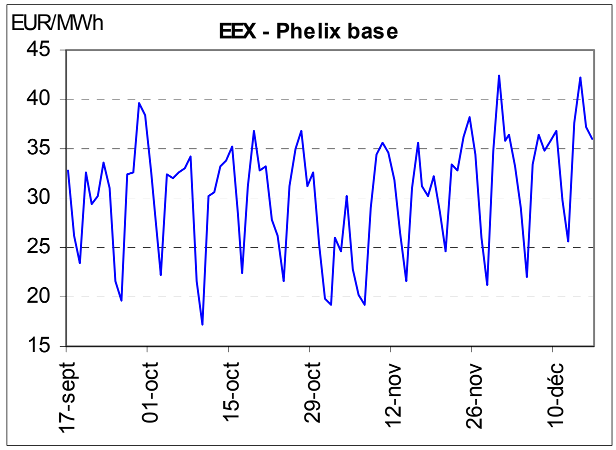
Over the past three weeks, the day-ahead base prices have firmed on *Powernext* on the back of **colder weather**. They stood in average at Eur33.83/MWh in the first fortnight of December versus an average of Eur29.97/MWh, a month earlier. Low wind generation in Germany also helped to push up prices. Furthermore, the strike conducted by EdF workers have added some price volatility even though the action closed with limited effect as it coincided with the return of a nuclear unit.

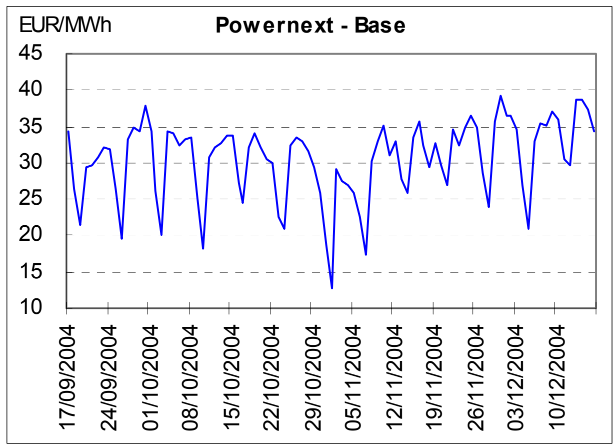
Similarly, the French Calendar 05 (baseload) has risen to Eur33.15-33.35/MWh on December 16th from Eur32.65-32.95/MWh on November 25th.

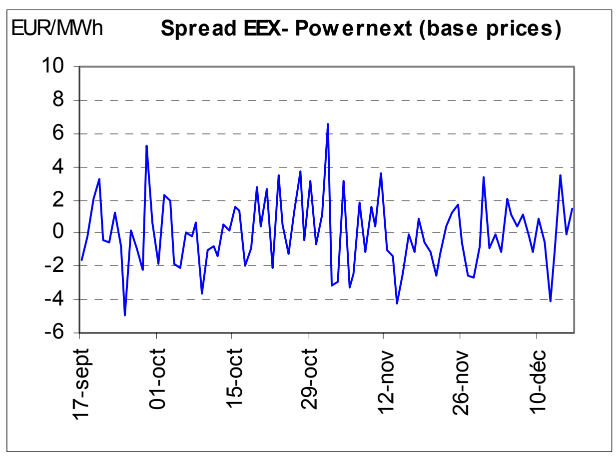
On EEX, the day-ahead prices have also rebound in the early days of December to a high of Eur42/MWh in December 14th, especially that the strike of the French power workers has occurred in a time of colder weather and low wind volumes. But the prices gains proved to be transitory and prices went back to their average December level. They stood at Eur35/MWh in mid-December up from their last month average of Eur29.61/MWh. Players are also noting that the liquidity is dropping as market participants said they will take no new major positions for the rest of the year and would spend the Christmas break clearing their positions before restart trading in the new year.

The benchmark German Cal05 baseload price stood at Eur33.45-33.55/MWh on December 16th versus Eur33.10-33.30/MWh three weeks ago.

The EEX-Powernext day-ahead prices have been very correlated as evidenced by an average spread of Eur0.06/MWH over the first fortnight of the month versus an average of Eur-0.36/MWh in November.







Market Commentary

NON-FERROUS METALS

Alumina

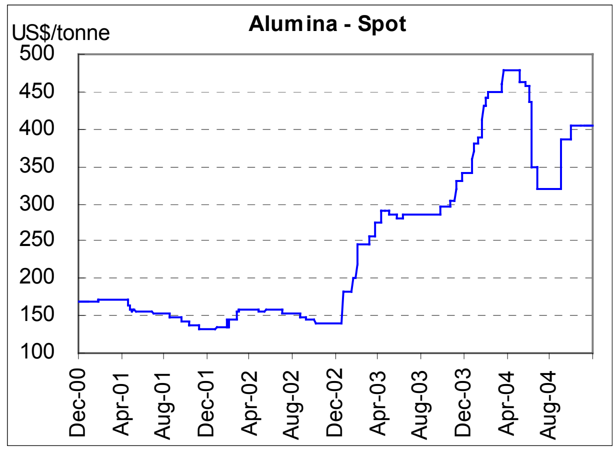
Uncertain about the future direction of prices, the spot alumina market remains quite.

Alumina spot prices have kept firm at their US$415/tonne since mid-October, the highest since June.

Alumina prices have remained so far stable as the year-end is approaching. As per traders, there is no much tonnage left for 2004 as most material is gone and nobody wants to part with what they have left.

There is also a big question mark on Chinese developments. The Chinese government has recently announced additional restrictions on the alumina tolling trade and a revocation of the 8% export VAT rebate, which appears likely to be cut to zero from January 1st.

Traders and producers prefer thus to adopt a wait-and-see strategy to get a clearer view on the market in the early weeks of 2005. As reported by *Metal Bulletin*, "Everyone should close their books, lean back and look forward to 2005," a trader said.



Aluminum

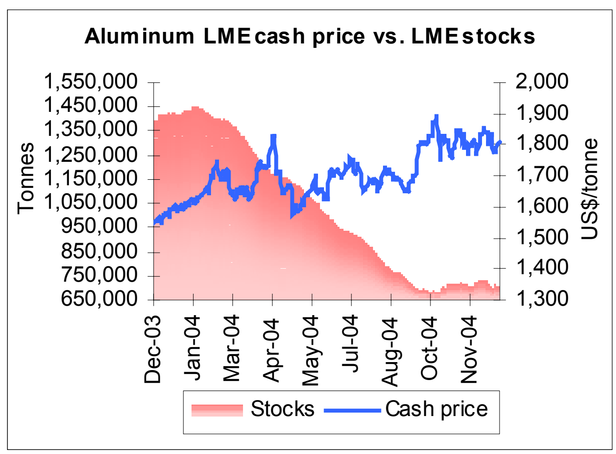
LME cash prices have remained firm in this year end period and should keep firming early 2005.

Over the past three weeks, LME aluminum cash prices have gone sideways: they have kept increasing from US$1,831/tonne on November 25th to US$1,853/tonne at the end of the month. They have since eased to US$1,779/tonne on December 10th before partially recovering to US$1,833/tonne on December 16th.

After months of drastic drops, LME stocks seem to have reached a floor. They stand presently at around 704,000 tonnes, which is very low as compared to the December 2003 average volume of 1.4 million tonnes.

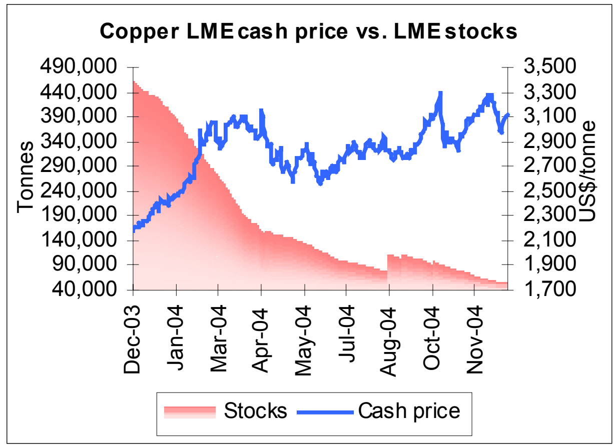
Uncertainties about the new Chinese regulations have contributed to keep the market nervous. Beijing is expected to remove its 8% export tax rebate from January 1st. To claim a rebate before the end of 2004, the Chinese smelters are now holding low aluminum stocks and are exporting as much as they can. Smelters are paying high transport fees to ensure their metal arrives at ports in time for 2004 shipping. Therefore, the Chinese exports are expected to double from their average monthly aluminum level in December up to 200,000 tonnes. Traders said some of the metal was going to the LME warehouses in Singapore, and some to private stocks around Asia.

Looking ahead, fundamentals are still strong and look set to continue in 2005, as all these Chinese export restrictions should limit the outflows from the country and thus contribute to tighten global supplies. The 2004 deficit is expected to widen in 2005.



Copper

High freight rates, an expected further decrease in the US dollar and low inventories are all pointing to a positive price in the early months of 2005 and have helped to keep prices robust up till now.



Over the past three weeks, LME cash copper prices have witnessed some decreases down from US$3,130/tonne on November 25th to US$2,872/tonne on December 9th, the lowest since early November. They have since moved broadly higher at US$3,155/tonne one week later.
Meanwhile, LME stocks are running very low and stood at 55,425 tonnes on December 16th, the lowest since at least the beginning of 1990.

The recent price gains were due to Chinese red metal purchases. China's *State Reserves Bureau* is believed to be taking delivery of about 10,000 tonnes of copper this month, taking some traders short.

Moreover, the recent production/consumption estimates have added to the bullish momentum. Indeed, the *International Copper Study Group* (ICSG) has recently released its December 2004 Bulletin reporting provisional data for the past January-to-September period. On a global basis, the ICSG reported a 777,000 tonnes deficit in the refined market, compared with a deficit of 399, 000 tonnes in the same 2003 period. This is the result of :

- **Production**: A global mine output rise of 3.9% to 11.7mt due to higher concentrate output in Chile (9.1%) and the gradual recovery in production at the Indonesian *Grasberg* mine.
  As for refined production, it increased by 3% over the same period, mainly in China (12%), Mexico (13%) and Canada (22%). However, overall growth was reduced by falls in Spain (-24%), the US (-2%) and South Korea (-6%).

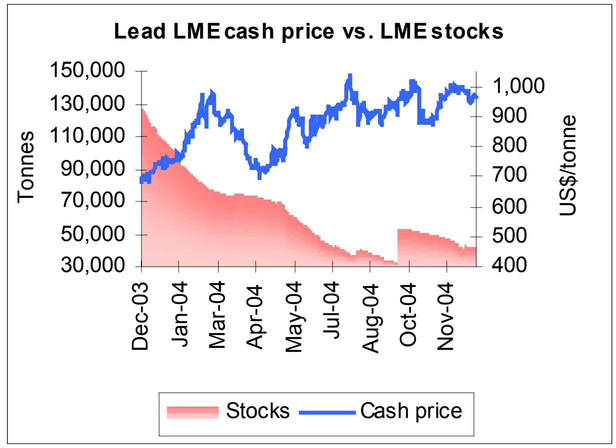
- **Consumption**: Global refined copper usage rose 6.1% to 12.4mt. This strong growth was underpinned by increases in the Asian region that accounted for 54% of world consumption growth especially in China (6%), Japan (7%) and Taiwan (13%). Demand growth in Western world consumption rose by 5.4% with strong growth in the US (9%) and Japan offset by persistent weakness in EU usage (-1.5%).

Consequently, strong copper market fundamentals and an anticipated period of further US dollar weakness should be supportive of sustained high prices in 2005. The supply has already responded to the price increase but the majority of the production is only expected to impact the refined market in 2005-2006. At the same time, demand conditions in the key copper consuming countries, especially China, are expected to remain strong in the medium term, underpinning a deficit in 2005.

Lead

Lead prices have remained at a high in this year-end period still reflecting strong fundamentals.

After several periods of increases, LME lead cash prices have reached a plateau and remained at around US$970/tonne in mid-December. Meanwhile, LME stocks were at 41,125 tonnes on December 16th, continuously dropping as compared to their 2004 beginning stocks of 111,400 tonnes.



A low supply response to lead demand growth (mainly the Asian countries like India, Indonesia, South Korea and Taiwan) have translated into large deficit this year estimated at around 120,000 tonnes versus a deficit of 53,000 tonnes a year earlier. This has played in favor of sustained prices in 2004.

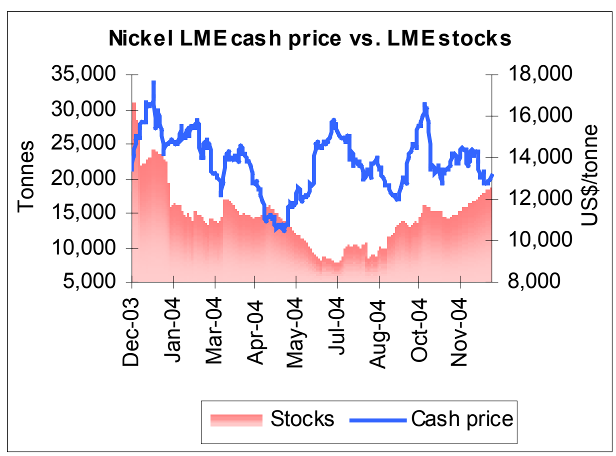
The picture seems somewhat less bullish in the coming years. Substitution and new legislation restricting the use of lead (ex. European law to ban the use of lead in solders) should weigh on demand. As per the ILSZG projections, the global consumption should increase only by 2.5% next year, driven by a firm demand in China (+9% yoy) offsetting the stagnation in the US and EU. The production should gradually increase, which should reduce the deficit gradually till the balance expected in 2006.

As a result, prices should keep firm in early 2005 on a historical standpoint but probably slightly lower than the present levels.

Nickel

Nickel prices have failed to recapture their multi-year highs seen in January 2004. Substitution, lower Chinese imports, increased scrap usage and rising inventory have weighed upon prices.

Since our last *Markets Data*, LME cash prices have registered some decreases from US$14,287/tonne on November 25th down to US$12,682/tonne on December 9th, their three-month lowest level. They have since slightly recovered back above US$13,300/tonne mark in mid-December, but remained moderate as compared to their 2003 December average price of US$14,304/tonne.



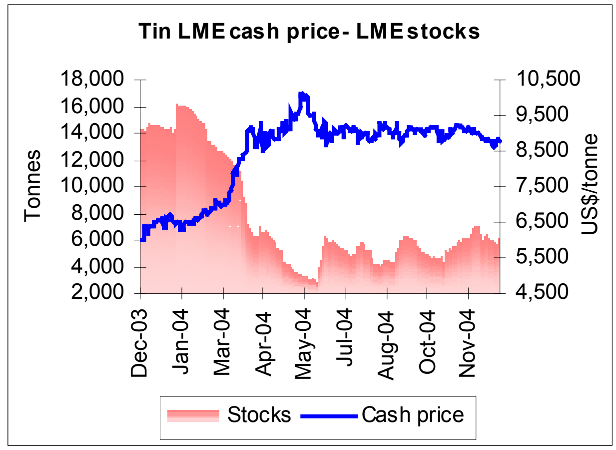
Nickel prices have been impacted by LME stock rises. Since last July when stocks fell to a 13-year low of 7,800 tonnes, LME nickel stocks have risen to 18,900 tonnes in mid-December. Stocks now stand at an 11-month high.

Lower Chinese nickel imports have been one factor. In 2003, imports were at a record 80,778 tonnes while imports over the first ten months of 2004 were just at 45,886 tonnes, down 28% yoy. In part, this reflects an over-import in 2003, but also the switch to lower-grade nickel containing stainless.
The projected deficit has failed to materialize and the sentiment is now for the market to reach a production-consumption balance as 2005 goes by. The imminent arrival of significant output from *Voisey's Bay* will also cast its shadow over the nickel prices in 2005.

Tin

Tin prices still firm and remarkably stable comforted by still strong fundamentals.

Over the first fortnight of December, LME cash prices moved slightly lower, under the US$8,900/tonne levels but remained in average remarkably stable around their previous months average level they stood at US$8,802/tonne on December 16th.



Meanwhile, LME inventories stand at around 6,195 tonnes presently, as compared to the year's low of 2,745 tonnes in mid-June.

These price stability and movements in inventories are somewhat indicating that the extreme tightness that characterized tin market earlier this year has eased. The last available data from the *World Bureau of Metal Statistics* (WBMS) indicate that the world consumption is still rising. It expanded by 8.8% over the first 9 months of 2004 to 181,400 tonnes. The increase was mainly driven by a strong demand growth in the US and Japan (almost 20% yoy growth each). The high level of premiums is also confirming the still tight market conditions. Premiums are said to settle US$400/tonne higher than in 2004 at US$500-600/tonne.

Encouraged by high prices, the production has strongly responded to the demand increase (mainly in the Asian region) and is expected to record a total refined output of 314,000 tonnes (+8.2% yoy) this year and 330,000 tonnes (+5.1% yoy).

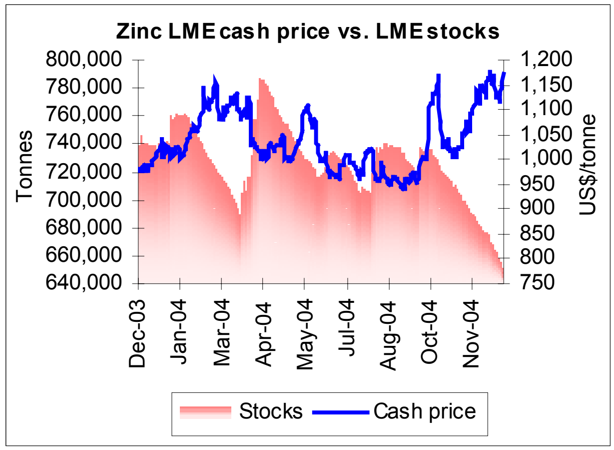
This combined effect could probably explain the stability of prices at high levels over the past few months which are expected to remain high over the first half of 2005 before easing as market should return to balance in 2006.

Zinc

The zinc prices have kept rising as the market is expecting a global deficit in 2004, the first since 1999.

Over the past three week, LME cash prices have increased further and remained above the US$1,100 mark since mid-November. They were at US$1,186/tonne on December 16th, 16% increase since the beginning of 2004.
Meanwhile, LME stocks have registered further drops to 646,050 tonnes in December 16th, the lowest since December 2002.
The release of bullish estimates has helped to firm prices. Indeed, the *International Lead-Zinc Study Group* (ILZSG) has recently released its provisional data for the January-September 2004 period, which evidenced a global deficit as:

- Global refined production rose 3.4% to 7.58mt, largely due to strong growth in China (12%) and the Americas (3.1%). However, growth in world mine output was weak, up only 0.9% to 7.19mt.
- As for consumption, the global refined zinc use rose 5.7% to 7.81mt, driven by strengths in many of the key consuming regions such as the Americas (8.2%), Asia (7.4%) and even Europe (1.2%). In particular, consumption growth was very strong in China (10%) and the US (9.4%).



Consequently, larger than expected deficit ate seen for both 2004 and 2005, versus an almost balanced 2003.

The widening of the global deficit has been largely driven by a **sharp fall in Chinese net exports** in 2004 triggered by the impact of power restrictions, low concentrate TCs, reduced VAT export rebates and strong demand growth.
Meanwhile**, limited mine capacity growth and smelter closures** in Europe and Australia have limited the supply response to higher prices prompting a continuation of low term TCs and high metal premiums.

Further, **improvements in demand** conditions in Europe and North America are expected to result in deficit markets during the 2004-2006 period.

Market Commentary

FERROUS METALS

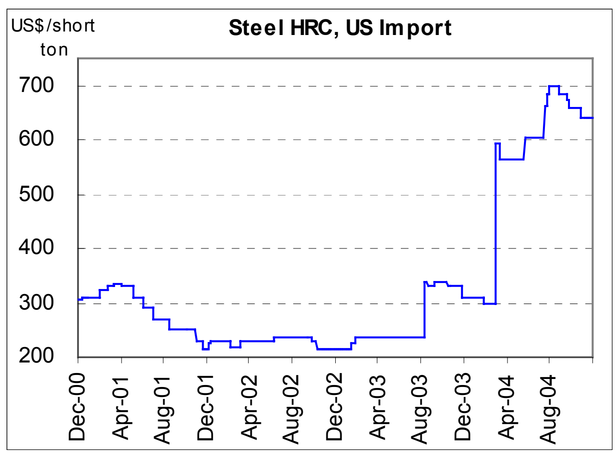
Iron Ore

2005 could be a turning point?

Over 2004, the surge in the Chinese demand has been the key driver behind the increase in iron ore prices. This is expected to continue over 2005 where prices are seen to reach a peak before moderating in 2006, as the market is expected to move from a deficit to a broadly balanced condition. This is due to the fact that unprecedented expansions of capacity by major producers are in the road. Proposed expansions by the top three (*CVRD, Rio Tinto*, and *BHP Billiton*) point to about 152 mtpa of new iron ore production over the period from 2004-2008 from a seaborne total production estimated at around 600mt presently. In addition to capacity expansions by the three majors, new major projects like *Kumba's Hope Downs* project and *Fortescue Minerals'* expansions (both in Australia) will go ahead with first production in 2008. Moreover, the Chinese industry is seen to increase capacity by at least an aggregate 40 mtpa over the period to 2008. These all put together should translate into moderate 2006 prices as compared to their 2004/2005 levels.

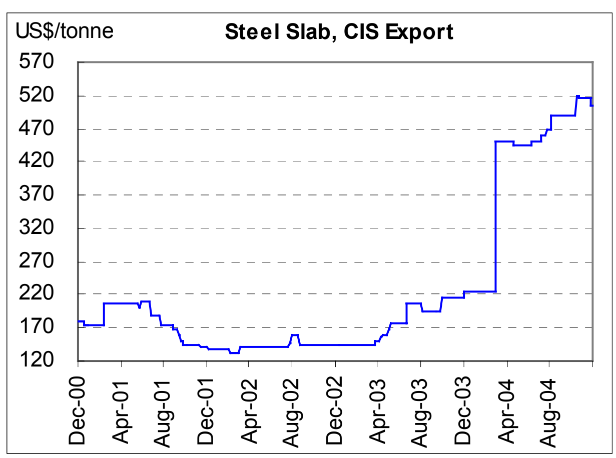
Steel

Steel prices have stabilized at a high level in this year-ending period.



The HRC prices (CIS export) have stabilized at US$540/tonne since the beginning of December from US$550/tonne while US HRC prices stood at US$640/tonne since mid-November.

The US prices were firm and could further increase in early 2005, benefiting from a **possible imports decrease** after the recent weakening of the US Dollar and a still **supportive demand**. However, most of the US market players are indicating that inventories are too high which could offset the above-mentioned positive factors.



Meanwhile, the steelmakers in Europe and Asia are continuing to raise prices. *Arcelor* has said that it expects to raise prices in Europe by 20% next year, while comments from other smelters (ThyssenKrupp and Corus) suggest that they are likely to follow suit.

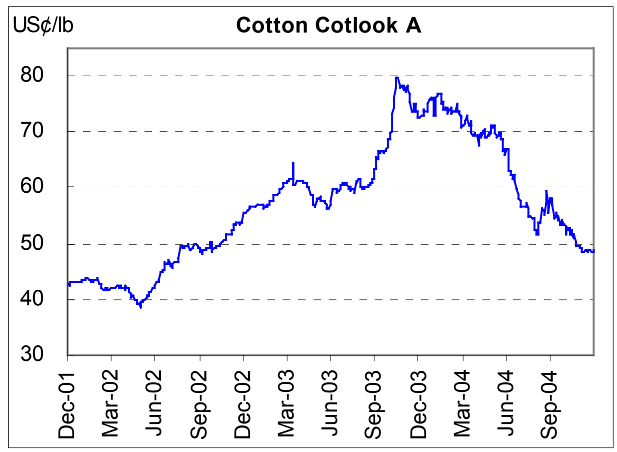
Market Commentary

SOFT COMMODITIES – FIBERS

Cotton

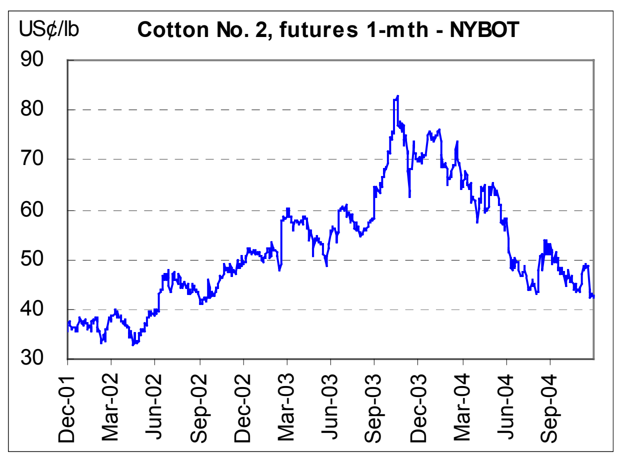
Massive world supplies and a lack of fresh export orders helped to keep the selling pressures in place, pushing futures prices inexorably lower.

After having decreased almost vertically since early September, the Cotlook "A" index seems to have reached a floor. Since mid November, it has traded in a very narrow range gravitating around US¢48/lb, the lowest since August 2002.



Meanwhile, NYBOT futures prices have kept decreasing, registering new lows in the early days of December. On December 1st, they experienced an impressive overnight drop of US¢4.7 to US¢43.89/lb. They have since continued their downward trend and reached US¢42.76/lb on December 16th.

Traders on the US futures market continue to believe that the longer-term situation could turn friendlier due to the enormous import demand from China as the Chinese planted acreage could fall significantly in 2005. But so far, fresh import orders fell to happen and the pressure continues to prevail, leading to intensive selling on the futures market.



Adding to this, the *US Department of Agriculture* (USDA) in its December report has kept its **bearish sentiment** for 2004/05 season:

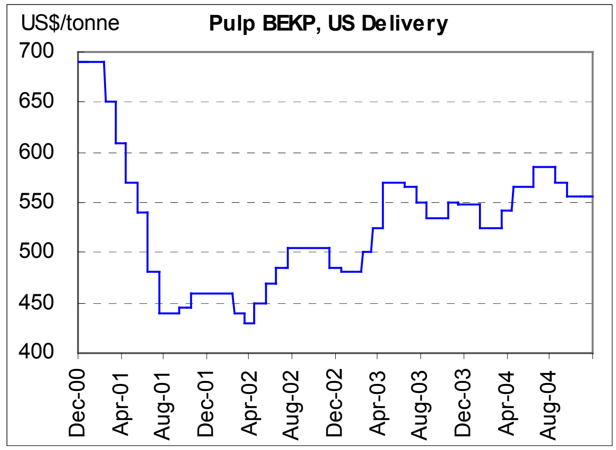
The world production estimates have been risen to 114 million bales. India – the third largest cotton producer with a 13% share of the world production – accounts for a substantial share of December's increase in estimated world production. Two consecutive favourable monsoons, low incidence of pest problems and the use of higher yielding varieties have contributed to increase the Indian crop to 15 million bales, 4.4 million bales higher than in 2002/03, and its largest ever.

As for consumption, it is expected to reach 103 million bales, versus 98 million bales a season earlier. This use increase will however fall to absorb the production surplus, leading to the rise of the ending stocks to 46 million bales in 2004/05, up 31% from last year. In other words, the stocks-to-use ratio should reach 45% versus 36% in 2003/04. If confirmed, this could weigh heavily on prices.

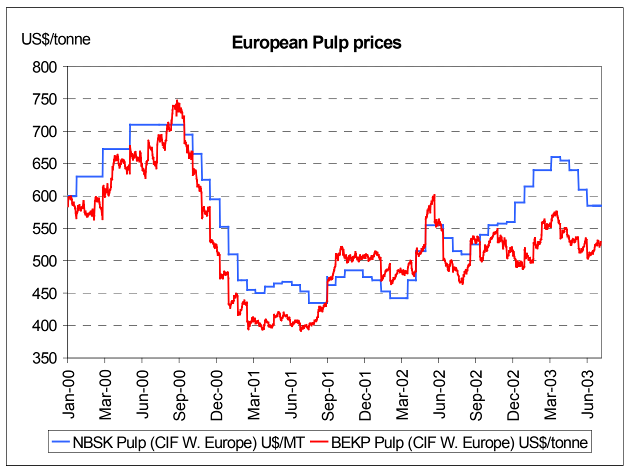
Pulp & Paper

Despite recent talks of a slowing Chinese demand in November, the pulp prices have remained relatively high. Strong US and European domestic demand coupled with a perspective of a limited supply increase have been supportive.

The consulting firm *Hawking Wright* has kept its estimates of the US pulp prices at US$555/tonne down from US$570/tonne at the end of September, but still considered robust.



The **US market** has benefited from a decreasing trend in the producers' inventory during the September/October period, due to sustained Chinese orders. Boosted by a strong demand, most US leading producers have then announced price hikes for NBSK to US$610/tonne from December 1st. Despite lower estimates of Chinese orders in November, the outlook remains overall positive, as an expected growth in paper demand through 2005 should drive paper prices up. Moreover, there have been numerous announcements of pulp production curtailments. These cutbacks are set to impact the market during the winter; a period typically characterised by strong pulp production: thus *UPM* has closed a 260,000 tonne integrated pulp line in Canada, nearly two months ahead of schedule. *Domtar* is temporarily stopping some pulp capacity in Arkansas. And *Cascades* is stopping its 82,000 tonne FjordCell pulp line through the winter. Finally, with **strong US paper demand** and **pulp production under pressure**, there are reports of integrated US papermakers forced to source pulp on the open market.



All these factors together are painting a somewhat bullish picture and gave the producers arguments to increase further their prices. Indeed, while still in the process of implementing the first price hike, producers like *Bowater* have started notifying their US customers of a NBSK pulp price increase on January 1st to US$680/tonne, back to their last spring levels.

A similar trend is reported on the **European market:** the Western Europe NBSK pulp prices have remained high at US$585/tonne as compared to their historical levels. They were at US$555/tonne in December 2003.

Meanwhile, the BEKP pulp prices (CIF Western Europe delivery) have been reported at around US$530/tonne in mid-December versus an average price of US$513/tonne last month.

Low European consumer inventory in combination with high paper capacity utilisation should ensure favourable near term prices.

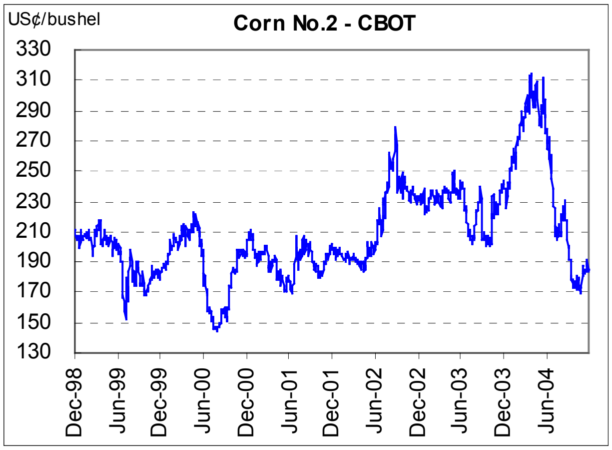
Market Commentary

SOFT COMMODITIES – GRAINS & OILSEEDS

Corn

The partial rebound in futures prices reported in the early days of December has been short-lived as fundamental analysis is still pointing to a record production surplus next season.

Over the last three weeks, corn futures prices on the *Chicago Board of Trade* (CBOT) have registered sideways moves. Futures prices went up from US¢185/bushel on November 25th to a peack of US¢191/bushel on December 6th, their three-month high. Futures prices have enjoyed a partial rebound amid recent steep improvement in the US corn exports to Asia (mainly South Koran and Taiwan). Hopes of cheaper oil prices and then lower freight rates, plus a ten-year low in the dollar against the major currencies, have also contributed to strengthen the US export prospects.



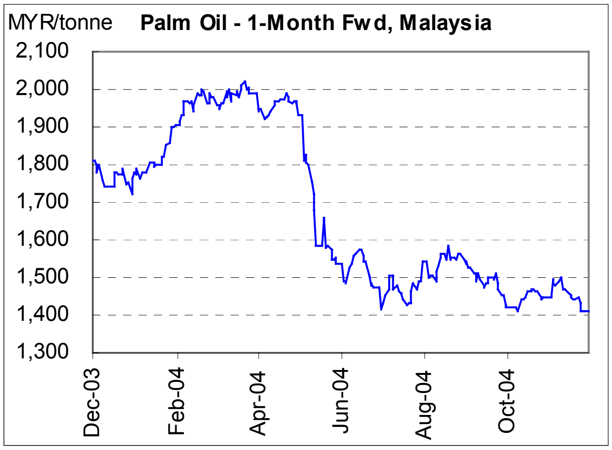
Nevertheless, the surge has been furtive, as prices have since renewed with their last month low levels. They stood at around US¢186/bushel on December 16th.

The recent USDA report dated December 13th probably contributed to this price decrease. Indeed, the world 2004/05 crop estimates was reviewed higher: the production is seen at a record 696 million tonnes (+12.1% yoy) versus a consumption of 681 million tonnes (+5.5%). Consequently, the global ending stocks should rise further to 112 million tonnes from 97 million tonnes a year earlier.

Palm Oil

Larger than expected Malaysian production coupled with lower soyoil prices have weighed on palm oil prices.

The crude palm oil futures prices on the *Malaysian Futures Exchange* have kept decreasing, registering new lows in the early days of December. They stood at MYR1,410/tonne on December 16th, their lowest since September 2003.



Prices on the *Kuala Lumpur Exchange* have been depressed by the release of **bearish crop and exports estimates**. As per recent projections from an independent source cited by the *Public Ledger*, the Malaysian production should be higher than expected while exports are seen lower. Additionally, the gap between the production and the consumption is expected to widen next season, leading to an increase of ending stocks to 1.43mt, from 1.35mt previously projected.

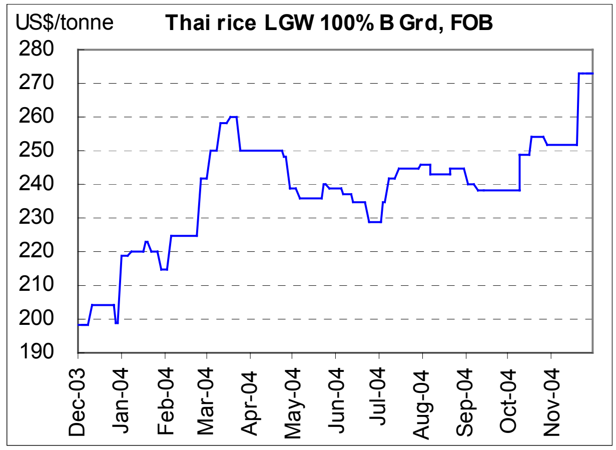
Moreover, prices have also suffered from selling pressure as Chicago soybean and Rotterdam soyoil prices have dipped, reducing palm oil prices attractiveness (see soybean section).

Rice

Thai rice prices have recently reached their highest level since 1999. Fresh news confirming a significant production deficit in the world's largest exporting country is contributing to the rally.

Thai white rice prices have recently registered a significant jump up to their 15-year high level. They have reached US$273/tonne, up US$21 on November 30th. This is the highest since March 1999.

Export prices for most grades of Thailand's white rice have increased since early November. This is the result of **higher prices for Thailand's intervention purchases, abnormal dryness** in the region, and **generally tight exportable supplies** across much of the Asian exporting countries. On top of this, the last USDA report has revised its 2004/05 Thai rice production estimates down to 17.4 million tonnes versus 18.01 million tonnes a year earlier.



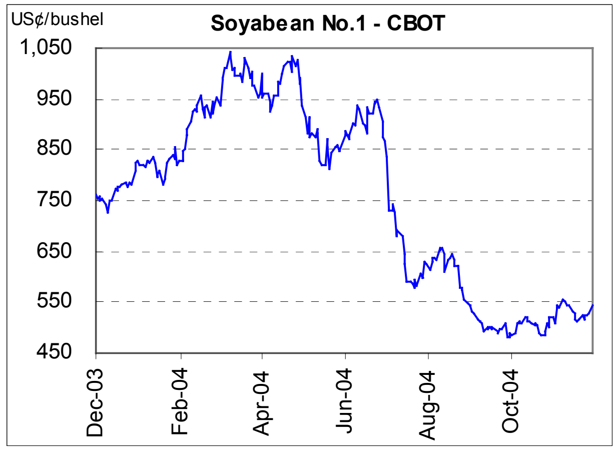
Adding to the bullish sentiment, the USDA report suggests a large **global production deficit** and **lowering ending stocks**: the global rice production in 2004/05 season is seen at 398 million tonnes, up 2% from last year. Despite this increase, the production would be outstripped by a consumption of 412 million tonnes. Consequently, the global ending stocks are projected at 72 million tonnes, 16% below a year earlier and the lowest since 1983/84. At 17.4%, the stocks-to-use ratio is the lowest since 1976/77.

The USDA added that white rice export prices are expected to remain high for several weeks until the harvest of the Vietnamese main crop starts in February.

Soybean

Price increases reported in late November after the discovery of the rust in Louisiana (US) have been short-lived. Soybean and soyoil prices went down, back to their early November levels reflecting bearish fundamentals. The return of China – the world's largest importer – could help to support prices, unless the history repeats it-self...

The sudden discovery of soybean rust in Louisiana (US) on November 10th took the market by surprise, pushing prices up in late November. The market seems now to have fully absorbed the news and prices went back to their early November levels. Indeed, over the past three weeks, the soybean futures prices on the *Chicago Board of Trade* (CBOT) have decreased from US¢543/bushel on November 25th to US¢513/bushel on December 2nd. They have since totally recovered standing at US¢543/bushel on December 16th but remain very low as compared to their December 2003 average price of around US¢757/bushel.



On the physical market (Rotterdam), soyoil prices have wilted too to around US$534/tonne in mid-December, down 4% since the beginning of the current month and down 16.7% year-to-date.

The record US crop and stocks are believed to absorb any significant decrease in the coming production. That is why the new rust discoveries in the Northern States (Alabama, Arkansas, Florida, Georgia...) had so far no impact on prices.

Support could rather come from a significant increase in the Chinese soybean imports from the US. The total US exports to China since the beginning of the year has already reached 6.6mt as of November 18th, which is 44% higher than the volumes reached during the same period last year. The USDA added that total Chinese import volumes could reach as much as 20mt in 2004/05 due to disappointing domestic production.

The only shadow to this more bullish perspective remains the fears expressed by traders about a possible repeat of default problems as witnessed in China earlier this year if clear and explicit deal rules can not be reached with Beijing. For recall, the Chinese sanitary authorities rejected cargoes of Brazilian beans last April, citing contamination with the fungicide carboxin. But some traders accused Beijing of using such reasons to cancel some deals settled at high prices and help thus its crushing industry. The issue has been resolved by the announcement of new sanitary rules. However, the Brazilian, US and Argentine exporters are asking for more clarity. (For more details, pls. refer to our *Markets Data* dated Sept 24th).

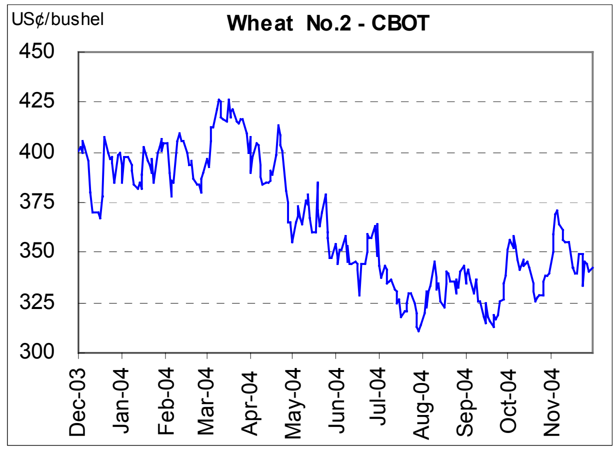
Wheat

The partial rebound of the US futures prices in late November have now passed and prices wilted back.

After a furtive bullish momentum observed on CBOT late November, wheat futures prices have since returned to their average level of US¢330/bushel. In the first fortnight of December, futures prices have oscillated widely loosing US¢16 overnight to US¢333/bushel on December 7th. They were at US¢339/bushel on December 16th.

Despite some support amid hopes of higher US exports (mainly to Pakistan, China and Middle East countries), **confirmed global bearish fundamentals** are still weighing on prices. Indeed, the US exports are expected to face strong competition in the coming months because of large foreign supplies and exports more specifically from the EU-25, Australia and Argentina: with demand from its major market, Brazil, down this year, Argentina has expanded exports to other countries, especially to Mediterranean markets. While production prospects for Australia's 2004/05 crop were reduced, no change was made in exports for 2004/05 because shipments from old-crop supplies have been stronger-than-expected in recent months.

Overall, the recent USDA estimates are confirming a record global production in 2004/05 of 618 million tonnes (+12%) versus a global use of 606 million tonnes (+3%).



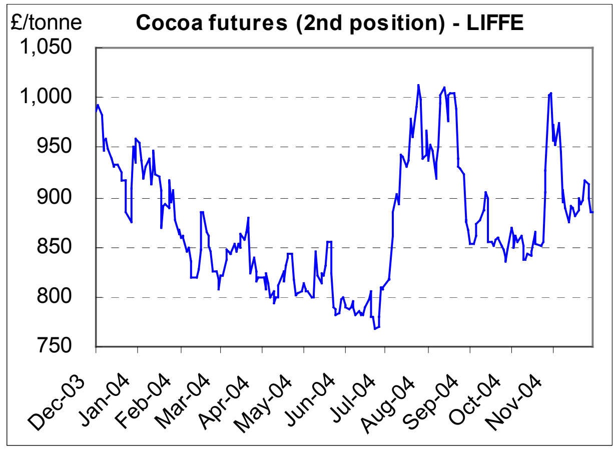
Market Commentary

SOFT COMMODITIES – TROPICAL PRODUCTS

Cocoa

The cocoa market has kept nervous as the political situation in Ivory Coast – the world's largest producer – remains unstable and concerns about possible supply disruptions are rising.

Over the past three weeks, cocoa prices have continued to trade in a volatile way: *LIFFE* futures prices went up from £890/tonne on November 25th to a peack of £917/tonne on December 3rd, before plunging back below the £900/tonne mark.



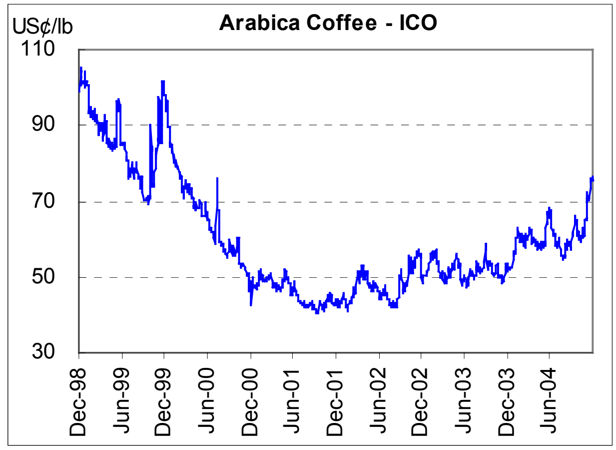
The impetus behind these large variations is still the unstable political situation in the Ivory Coast and the lack of ships to export the new crop. Moreover, it has been reported that a truck shortage is disturbing the harvest collection.

Adding to this, the cocoa market is impacted by talks that arrivals from the Ivory Coast are running well behind year ago levels (-17%). Some analysts are now projecting the coming Ivory Coast crop lower than previously expected and could now fall short of last year's record crop by 200,000 tonnes from 1.4 million tonnes.

Looking ahead, much of the price movements will probably depend on new developments in Ivory Coast that could push prices either way.

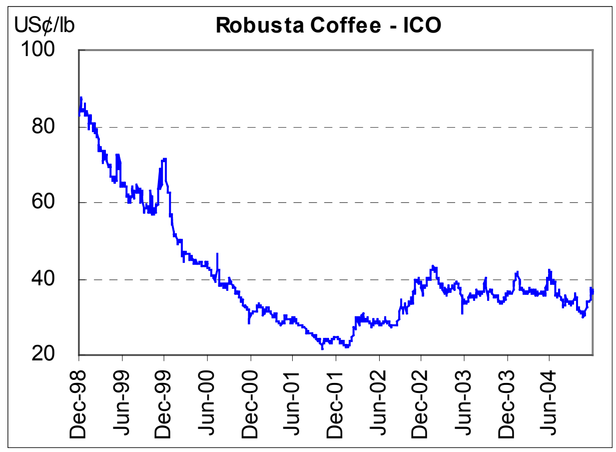
Coffee

Prices have leapt on a wave of a sustained winter demand amid talks about a lower-than-expected 2005/06 Brazilian crop.



Coffee prices have moved higher during the past three weeks: ICO Arabica prices have surged to US¢76/lb in the early days of December, the highest since February 2000.
Meanwhile, ICO Robusta prices jumped to a five-month high of US¢37.59/lb on December 2nd. They have since slightly decreased to around US¢36/lb presently, in line with their December 2003 average price.

The combined effect of a strong winter demand and concerns about the level of the Brazilian crop was at the origin of this price surge. Indeed, the market players cited **sustained winter export orders** for coffee and **low inventories** as helping to sustain prices at their current levels. According to *Cecafe* – the coffee exporters association of Brazil – exports through the January-to-November period totalled 23.2 million bags, up 1.2% from the similar period last year.

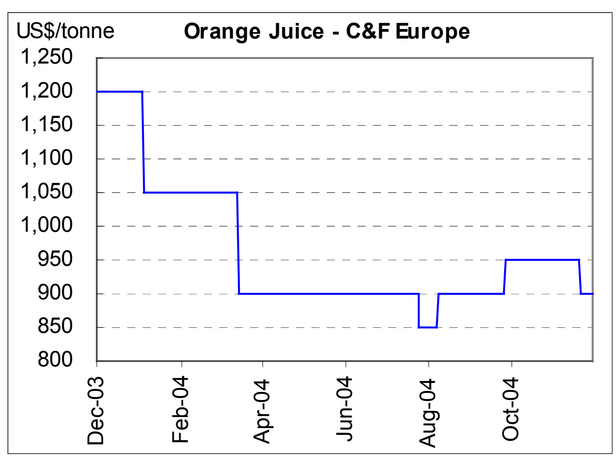


Adding to this, the expected tight supplies from the world's largest coffee producer have been supportive. Brazil is expected to release a new 2005/06 crop estimate some time in the near future but the general market consensus is for a crop drop to about 32 to 34 million bags versus 40 million to 42 million the previous year.
Nevertheless, **on a global basis,** the on-going world 2004/05 crop is seen to increase. The *US Department of Agriculture* (USDA) cut its Brazilian 2004/05 forecast by 700,000 bags to 41.7m bags, but is still expecting the world output to rise by 9% to 119m bags, based on Vietnam's output rising by 2.2m bags to 14.2m bags. If this appears to be true, this could limit the surge in global prices.

Orange Juice

Futures prices have kept rising in the recent weeks reflecting the expected increase in the US imports to offset the decrease in the domestic production. The recently released USDA report has confirmed the forecasts, contributing to keep prices up.

On December 2nd, physical prices have experienced a slight decrease from US$950/tonne to US$900/tonne, back to their early October level.



Adversely, the FCOJ futures prices on NYBOT have kept rising. They have been nudging above US¢80/lb on December 8th from US¢77/lb three weeks ago. They were at around US¢80/lb in mid-December.

The steady upward trend in futures prices is suggesting that investors are rebuilding their bullish positions probably expecting an increase in the US imports to cover their needs to offset the drop in domestic production.

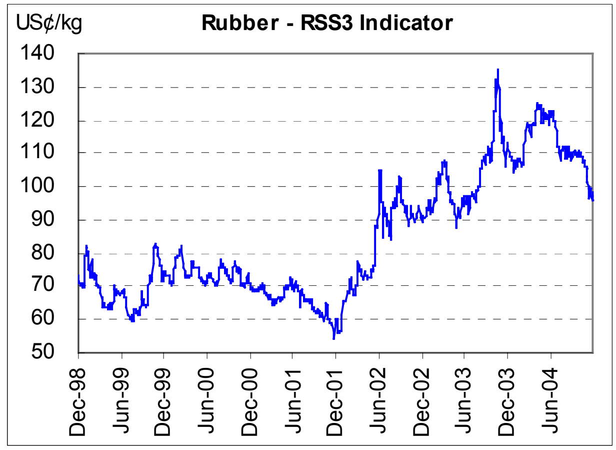
The last *USDA* report dated December 10th seems to confirm their expectations. The government agency has indeed revised its Florida production estimates down 8 million boxes to 168 million boxes due to this year's hurricane activity. On top of this, Florida is now entering the winter freeze period, which could provide some support to prices in the weeks to come.

Rubber

Natural rubber futures prices have experienced significant losses over the past few months and have recently dropped below the US¢100/kg mark, the lowest observed in over seventeen months.

The RSS3 rubber futures prices on *Singapore Commodity Exchange* have kept decreasing over the last three weeks, down to their lowest since July 2003. They have dropped to US¢96/kg on December 8th, before slightly recovering but remained below US¢100/kg. They stood at US¢98/kg on December 16th. Futures prices have lost almost 15% since the beginning of the year.

The seasonal production increases in the top largest producing countries (Thailand, Malaysia and Indonesia) have coincided with the downward trend in the oil prices which makes the synthetic rubber relatively cheaper.



Sugar

The sugar fundamentals continue to point to high prices, as the market has still to absorb a world production deficit and a sustained demand.

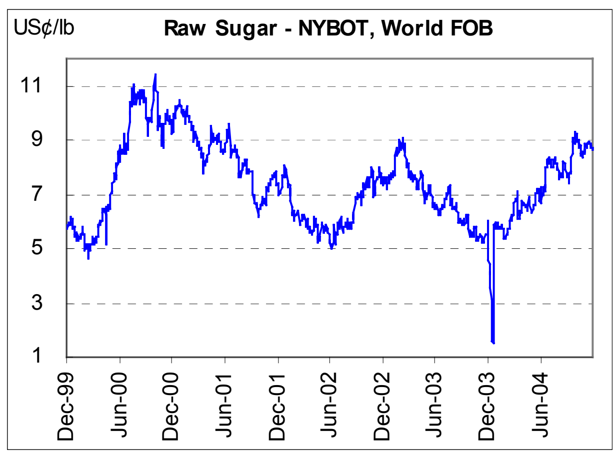
Over the past three weeks, raw sugar prices have kept rising and flirted with the US¢9/lb mark on December 2nd. They have since come off slightly and stood at around US¢8.70/lb presently. This level remains nevertheless high as compared to December 2003 average price of about US¢4.37/lb.

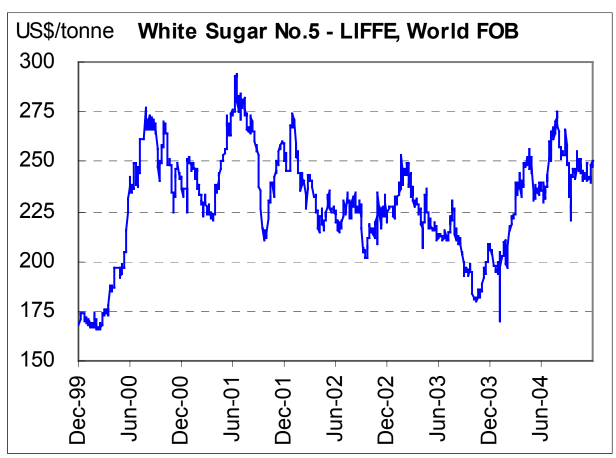
Similarly, LIFFE white sugar prices have continued their upward trend to a high of almost US$250/tonne on December 8th from US$239/tonne a week ago. They have since slightly decreased to around US$247/tonne presently.

As expected, active buying from Middle East countries, which have been forced to rebuild their falling stocks despite prohibitive freight rates, have helped to keep prices up.

Furthermore, due to poor domestic productions, India and China have mopped most of the Brazilian production surpluses this year and they are expected to keep brightening on the map of the top importers next season.

This sustained demand coincides with an expected production deficit. Even if analyst estimates differ as for the size of the deficit (from 1.5 to 3 million tonnes), the latter would probably contribute to keep prices firm in the near term.





STATISTICAL APPENDIX

Prices

Commodity	Unit	Prices as of			% Change On	
		16/12/2004	09/12/2004	18/12/2003	One Week	One Year
Brent Physical (Spot)	US$/bbl	41.1	38.5	31.3	6.8	31.3
WTI (NYMEX)	US$/bbl	44.2	42.5	33.7	3.9	31.0
Natural Gas (Henry Hub, spot)	US$/mmbtu	7.0	5.9	7.0	18.5	1.4
Natural Gas (IPE, 1 Day Fwd.)	GB pence/therm	30.4	31.3	31.2	-2.7	-2.6
Unleaded Gasoline (NYMEX)	US¢/gallon	107.8	104.1	91.5	3.5	17.8
Fuel Oil (No, 2, NYMEX)	US¢/gallon	135.9	126.1	95.6	7.7	42.1
Steam Coal (ARA, CIF)	US$/tonne	80.3	80.3	62.0	0.0	29.6
EEX (Phelix, base)*	EUR/MWh	36.0	35.8	37.6	0.3	-4.4
APX (all hours avg.)**	EUR/MWh	36.1	36.7	66.9	-1.7	-46.1
UKPX (spot)***	£/MWh	24.3	24.6	22.4	-1.0	8.7
Alumina (FOB Spot)	US$/tonne	405	405	340	0.0	19.1
Aluminum (LME)	US$/tonne (cash)	1,833	1,776	1,557	3.2	17.8
Copper (LME)	US$/tonne (cash)	3,156	2,973	2,207	6.2	43.0
Lead (LME)	US$/tonne (cash)	959	943	686	1.7	39.8
Nickel (LME)	US$/tonne (cash)	13,308	12,683	14,845	4.9	-10.4
Tin (LME)	US$/tonne (cash)	8,803	8,628	6,375	2.0	38.1
Zinc (LME)	US$/tonne (cash)	1,187	1,123	977	5.7	21.4
Steel (HRC, CIS Export)	US$/tonne	540	540	320	0.0	68.8
Steel (HRC, US Import)	US$/short ton†	640	640	330	0.0	93.9
Steel (Slab, CIS Export)	US$/tonne	505	505	275	0.0	83.6
Cotton (Cotlook A)	US¢/lb	48.4	48.6	72.8	-0.3	-33.5
Cotton (No. 2, Futures, 1-mth, NYBOT)	US¢/lb	43.5	42.9	69.3	1.4	-37.3
Pulp (BEKP, US Delivery)	US$/tonne	555	555	548	0.0	1.4
Pulp (NBSK, W. Europe CIF)	US$/tonne	585	585	555	0.0	5.4
Corn (No. 2, CBOT)	US¢/bushel	185	185	239	0.0	-22.6
Palm Oil (Malaysia, Futures, 1-mth)	MYR/tonne	1,403	1,410	1,779	-0.5	-21.1
Rice (Thai LGW 100% B Grade, FOB)	US$/tonne	273	273	198	0.0	37.9
Soyabean (No. 1, CBOT)	US¢/bushel	537	523	749	2.7	-28.4
Wheat (No. 2, CBOT)	US¢/bushel	335	345	406	-2.9	-17.5
Cocoa (LIFFE, Futures, 2nd position)	£/tonne	893	885	958	0.9	-6.8
Coffee (ICO, Arabica)	US¢/lb	77.7	76.7	51.9	1.3	49.7
Coffee (ICO, Robusta)	US¢/lb	36.9	36.7	36.5	0.4	1.2
Orange Juice (Europe, C&F)	US$/tonne	900	900	1,200	0.0	-25.0
Rubber (Singapore RSS3, Futures, 1-mth)	US¢/kg	99.8	97.0	111.5	2.8	-10.5
Sugar (Raw, NYBOT, World FOB)	US¢/lb	8.5	8.7	4.2	-2.1	100.0
Sugar (White, LIFFE, World FOB)	US$/tonne	244	248	205	-1.7	19.0

**EEX = European Energy Exchange. Phelix = Physical Electricity Index. **APX = Amsterdam Power Exchange. ***UKPX = UK Power Exchange.*

† 1 short ton = 0.907 metric tonne

Source: BNP Paribas from Datastream

LME Stocks

Stocks (tonnes)	Stocks as of			% Change On	
	16/12/2004	09/12/2004	18/12/2003	One Week	One Year
Aluminum	702,975	713,450	1,422,175	-1.5	-50.6
Copper	55,425	57,225	453,350	-3.1	-87.8
Lead	41,125	42,050	122,825	-2.2	-66.5
Nickel	18,900	18,210	28,410	3.8	-33.5
Tin	6,195	5,865	14,110	5.6	-56.1
Zinc	646,050	660,650	740,450	-2.2	-12.7

Source: BNP Paribas from Datastream

US Oil & Natural Gas Stocks

Product	Stocks as of			% Change On	
	10/12/2004	03/12/2004	12/12/2003	One Week	One Year
Crude & Oil Products (million bbls)					
Crude Oil*	293,791	293,917.0	272,808	-0.04	7.7
Distillate	119,336	119,299.0	130,747	0.0	-8.7
Jet Fuel	41,198	41,363.0	36,767	-0.4	12.1
Gasoline	183,614	182,991.0	173,237	0.3	6.0
RFG Gasoline	26,002	25,105.0	29,140	3.6	-10.8
Fuel Oil	41,440	42,653.0	36,113	-2.8	14.8
Other Products	270,335	273,333.0	258,421	-1.1	4.6
Total Crude & Product Stocks	***975,716***	***978,661.0***	***937,233***	***-0.3***	***4.1***
Natural Gas (billion cubic feet)					
Working Gas	930	942	812	-1.3	14.5

** Excluding SPR*

Source: BNP Paribas from US Energy Information Agency

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