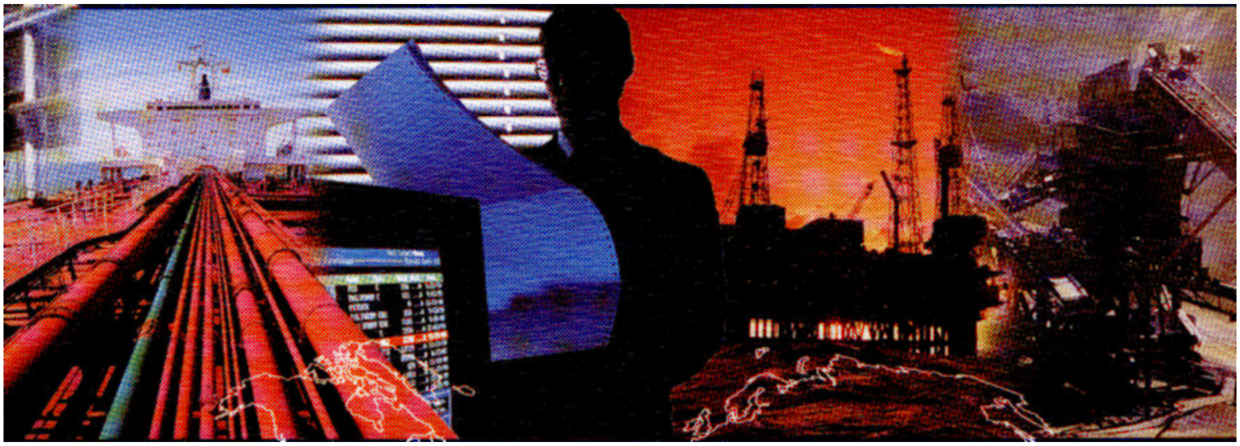
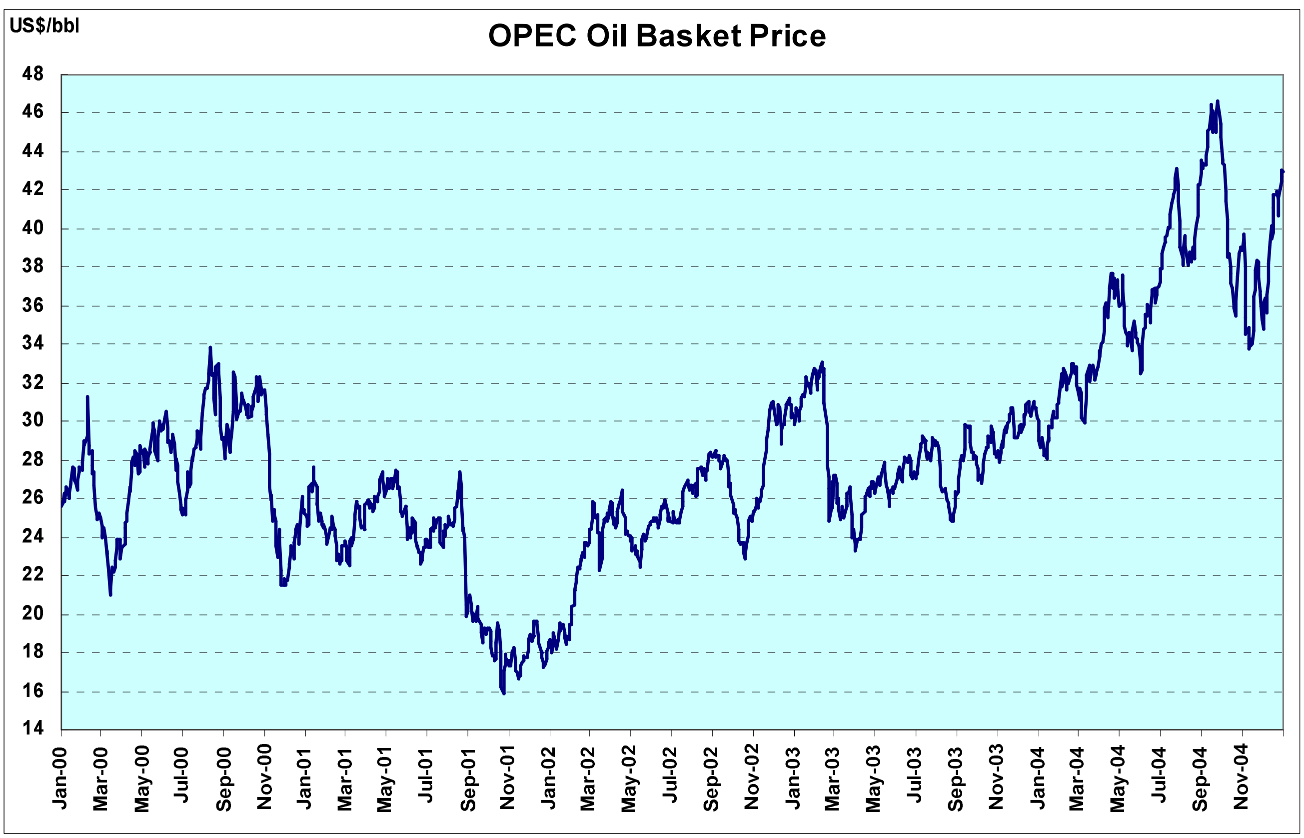
BNP PARIBAS
Energy Commodities Export Project

# MARKETS DATA (EXTRACT)



## January 31, 2005

## The Markets at a Glance



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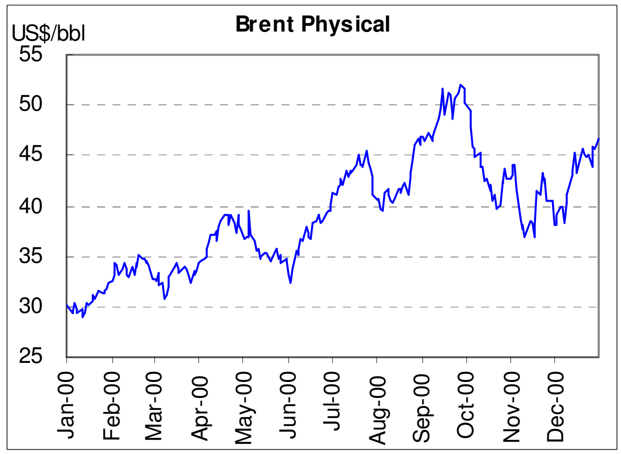
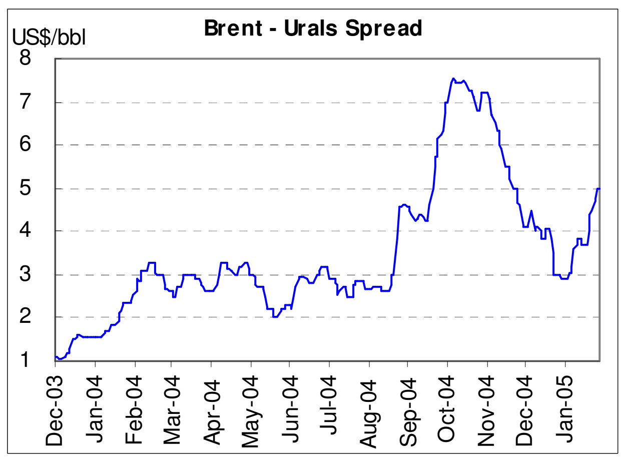
# Market Commentary

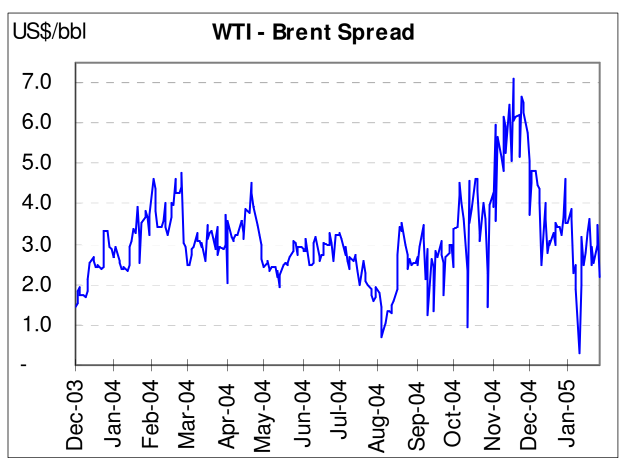
## ENERGY

## Crude Oil

**Respite until OPEC March 16 meeting**




Over the past six weeks, oil prices fell from December 17 to the beginning of January before surging again until the end of January. Brent dated fell to USD 38.10/bbl on December 28 loosing 12.1% in less than two weeks while WTI Cushing fell to USD 41.33/bbl on December 27 loosing 10.7%. Since then, crude oil prices have rebounded, Brent dated reaching USD 46.81/bbl on January 27 and WTI Cushing USD 48.84/bbl. However, Brent dated dropped by 2.6% at USD 44.95/bbl last Friday and WTI Cushing by 3.5% at USD 47.15/bbl.

The spread between WTI and Brent varied widely during this period, increasing from USD 2.96/bbl on December 17 to USD 4.61/bbl on December 28. Then, it declined to USD 0.30/bbl on January 10 and rebounded to USD 3.62/bbl on January 18. It dropped at USD 2.03/bbl on January 27. Spreads between light crude oils and heavier crude oils showed a more stable pattern continuing their decline until the end of December before surging again until the end of January. Brent-Ural differential dropped from USD 4.05/bbl to USD 2.90/bbl at the end of December reaching USD 5.00/bbl on January 27. Brent Dubai differential dropped from USD 7.97/bbl to USD 3.97/bbl at the beginning of January reaching USD 6.18/bbl on January 27.

At the beginning of January, the yoy oil prices variation slowed down harshly from its +78.0% peak on October 22 to +28.0% on January 3. However, it re-accelerated reaching +52.9% on January 27.

Since the beginning of January, the oil market was primarily dominated by crude oil stocks decrease in the US and temperatures below normal in the US during two consecutive weeks. US crude oil stocks have declined more than expected during two weeks (from 295 MM bbl on December 24 to 288 MM bbl on January 7) while at the same time temperature dropped significantly in the main US heating oil consuming regions. In addition, there were supply problems at some major crude oil producers: apparently Saudi Aramco reduced its deliveries by 0.5 MM bpd in accordance with the last OPEC production cut decision (-1.0 MM bbl from January); Norwegian production remained reduced significantly (11.5% of Norway's oil production) due to technical problems and high winds and stormy seas which have hampered repair efforts; in Iraq, exports from the Turkish Mediterranean port of Ceyhan remained completely halted since the last sabotage (December 18) but SOMO has also decided to cut Basrah Light long-term contract volumes to its customers by 10% due to severe technical problems; Nigeria oil production was again reduced on January 24 due to community protests. Lastly, fears of terrorist attacks on oil infrastructures in Iraq just ahead of the election (January 30) and threat of new OPEC production cut during the last OPEC meeting (January 30) added some pressure on oil prices.

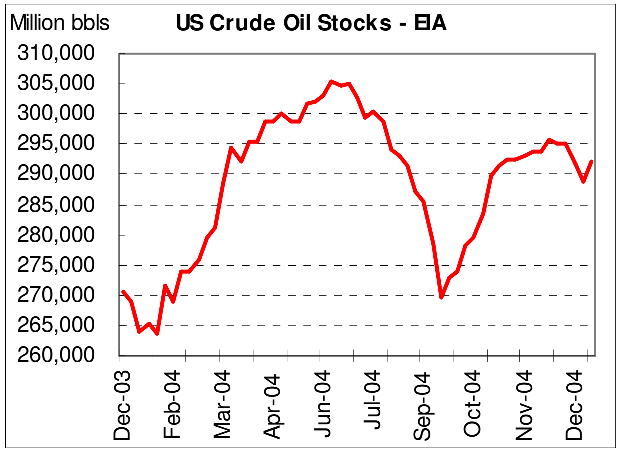
Finally, OPEC did not make any change to its quotas. It only suspended its official price target without define any other target.

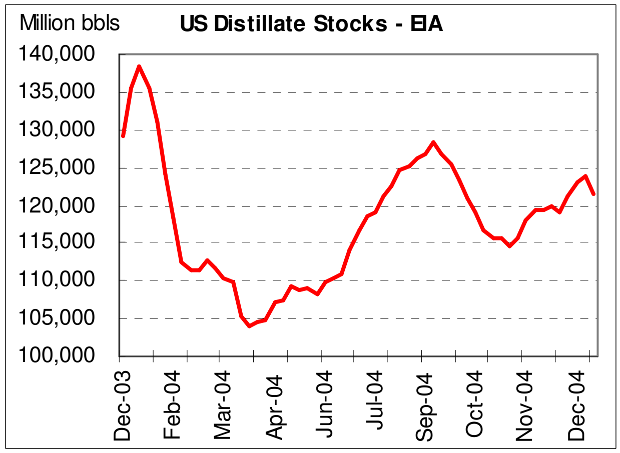
Obviously, market operators overstated the real oil market situation. The US oil market has remained correctly supplied since the beginning of January: crude oil imports were close to 10 MM bpd and on average were 10.5% higher than last year (first three weeks of January). Despite market fears, January temperatures were in fact on average close to normal. While oil consumption rebounded significantly in January (+3.0% during the first three weeks of January versus +1.3% in December), US oil stocks have declined only moderately since the beginning of January (-0.238 MM bpd on average). In addition, excluding unfinished oil and other products, US stocks have increased since the beginning of January (+0.238 MM bpd on average). Total US stocks stood at 5% above last year level. Distillates stocks continued to increase until the week ending January 14 and decreased modestly during the last week (-2.3 MM bbl). Despite this small decrease, they are now in the middle of the five year range.

More generally, it appears that the oil market was correctly supplied during the past quarter. Despite a significant drop in December (-1.8 MM bpd), OECD stocks remained pretty much stable last Q4 while they normally decline at this time of the year (-0.8 MM bpd in 2003, -1.1 MM bpd in 2002, -0.4 MM bpd in 2001, -0.1 MM bpd in 2000). This result is remarkable as world oil demand grew more than expected last Q4 (+2.5% yoy versus +2.3% forecasted by the International Energy Agency in November). Nonetheless, this indicates a slowdown compared to Q3 (+3.3%) and Q2 (+5.0%). On the supply side, production increased in Q4 by 3.3% yoy primarily due to a huge increase on the OPEC side (+7.3%) and to a lesser extent on the NOPEC side (+0.9%).

For the current quarter, despite Saudi Arabia and Iraqi production cuts the oil market should remain balanced even if demand growth remained stable. In any case, OECD oil stocks would not decline by a huge amount. **According to the last IEA forecast, the oil market should be oversupplied during the next two quarters**: +2.0 MM bpd in Q2 2005 and +1.4 MM bpd in Q3 2005 which would be higher than seasonal norms. Thus, considering that oil demand will decline during the next Spring, OPEC will have to cut its production further in order to avoid a collapse of oil prices. However, production cuts requirements will remain small, likely not more than 1.0 MM bpd. Uncertainties will remain high regarding demand evolution as well as OPEC members' will to fully implement decided cuts.

*Régis COLLIEUX*

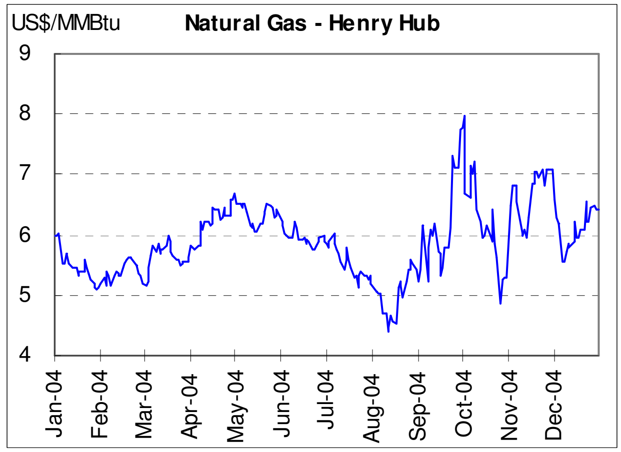


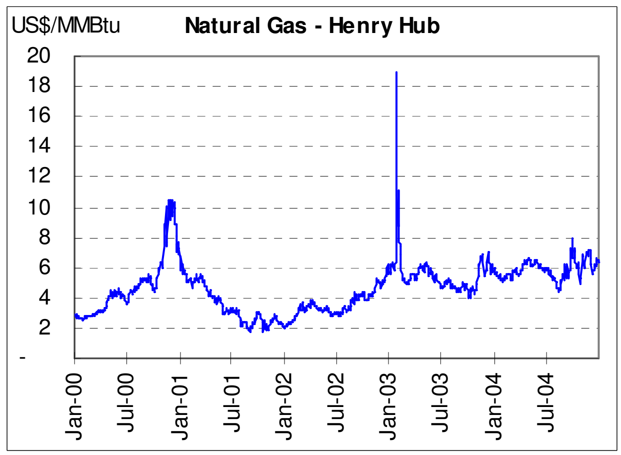



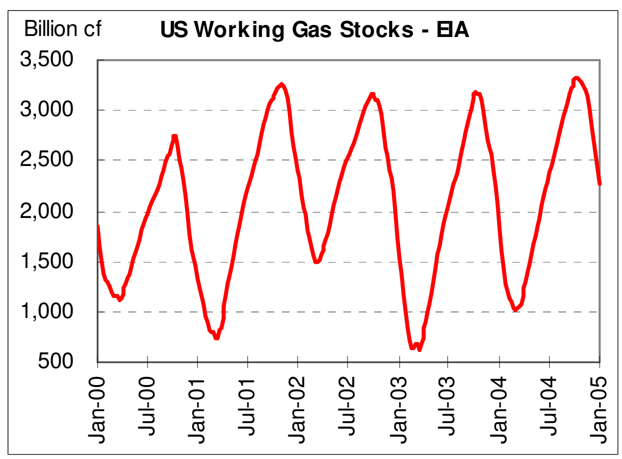
# US Natural Gas

**Bulls love arctic air !**

US natural gas prices have kept on increasing in January to set winter prices for this year slightly above last winter for December and January. After a sudden fall for New Year, the Henry Hub spot prices continuously rallied up to trade on Thursday January 27 at USD 6.48 / MMBtu, setting the average for Dec-Jan 2004/5 at USD 6.39 / MMBtu, 3.2% higher than last year. Constraints in the US Northeast pipeline delivery system for the past two weeks due to an arctic cold front that settled in the region have triggered prices' skyrocketing in this very large consuming market. New York prices were sent as high as USD 45 / MMBtu. Large storage withdrawals contributed to pressure prices up. However, the escalation of prices is likely to slow down as winter conditions return to normal and if bearish fundamentals were to return on the foreground bulls may have to face losses.



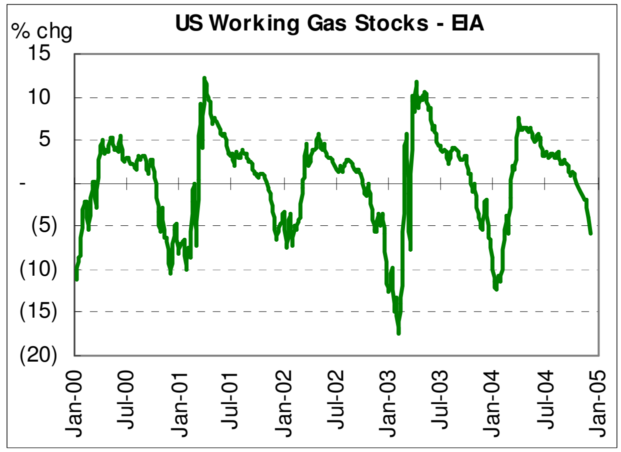




Slightly higher prices this season can be partly explained by short-term adaptation to colder climate conditions, and larger storage withdrawals than for the previous weeks which incremented an already bullish forward curve anticipating a supply shortage.

Indeed, spot prices in December 2004 averaged USD 6.64 / MMBtu, i.e. around 9% higher than December 2003 prices while January averages were equal at around USD 6.10 / MMBtu. It is remarkable that despite market bullishness in December 2004 spot prices suddenly fell from USD 6.18 / MMBtu on December 31 to USD 5.56 / MMBtu on the next trading day (January 3) signaling a high state of storage inventories. Futures prices on the NYMEX also slipped from a higher USD 7.45 / MMBtu on December 17 for the spot month (contract delivery in January) to USD 5.79 / MMBtu on January 3 (February delivery) relaxing supply pressure in the short-term. Since then both spot and futures prices geared up. The forward curve closed below spot levels on January 27 with a relative flat scenario for the next months respectively at USD 6.29, 6.25 and 6.23 / MMBtu for February, March and April.

As issued by the US DOE in the *Weekly Natural Gas Storage reports*, net weekly storage withdrawals increased to a record high 230 Bcf for the week ending January 21 as heating demand significantly increased in consuming areas. This large withdrawal is 39% higher than the 5 previous year average for the same week. Given weather forecasts, the market anticipates that inventories could be even more deteriorated this week. Storage withdrawals could thus be higher in January by around 100 Bcf than in December, maintaining pressure on prices in the spot market.

Nevertheless, spot prices in the US natural gas market shall decrease in the mid-term, as notably signaled by a forward curve in backwardation. The forward curve could also record a significant release. Bulls will have little choice other than selling off as the market eases at the end of the winter with enough gas.




Prices shall decrease as winter becomes softer: February and March are statistically warmer than January. Moreover, the market is trading above market fundamentals (over-reacting to long-term E&P cost increases and demand anticipations at 3% this year) and above last year's prices which averaged for these two months USD 5.40 / MMBtu in spite of a less favorable market equilibrium. Despite the impressive spectacle of snow storms in New York, the winter season 2004/5 will probably be warmer than last year and warmer than normal. Heating Degree Days in Dec-Jan 2003/4 accounted for 1742, whereas an estimated number for this season may be around 1615. Total natural gas in storage at the end of January may be still around 2000 Bcf (including a record high 270 Bcf withdrawal for the week ending January 28 and Jan 31), 10% higher than the end of January 2004. Assuming the same storage withdrawal profile as last year for February and March, total gas storage could be 20% higher than the previous-5-year average at the beginning of the second quarter. Concerning production, drilling efforts remain strong creating the positive conditions for a rebound this year and notably in the mid-term (with recovery from Hurricane Ivan): in December gas-directed rigs averaged 1064, and 2004 recorded at 1025, the highest annual average ever!

Thus, prices shall shift away from the USD 6 level to target levels in line with the market fundamentals around USD 5.00 / MMBtu by the end of the quarter. If improvements were too modest, the market could adjust harshly and be extremely volatile meanwhile. Bullishness may also continue to dominate in case of a non-predictable event in the market.

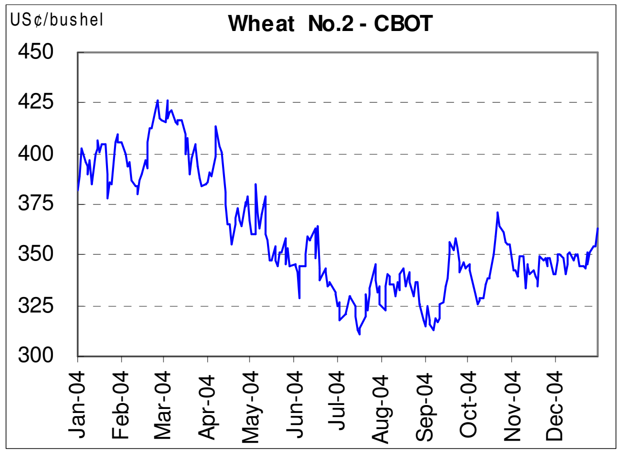
*CécileA ROCENA*

# Market Commentary

## SOFT COMMODITIES – GRAINS & OILSEEDS

## Wheat

**A routine market mostly waiting for next crop fresh news**




Wheat prices have showed little significant movements for the last 3 months. CBOT futures remained in a narrow range between US¢340 and US¢350/bushel during the first three weeks of January. They stood at US¢363/bushel on January 27. Meanwhile physical prices were also generally stable in the US and in the EU while good quality milling wheat prices were a bit stronger due to a reduced availability.

As a matter of fact no fundamental fresh news was able to support a clear trend for wheat prices. The all-time record 2004 crop was revised upward at 621mT from a previous estimate of 618mT. However, worldwide consumption was revised upward by +3mT as well at 608mT. Even the EU decision to refund up to 2mT of wheat export haven't affected prices that much so far : market players are mostly waiting for the results of the tender and of the level of subsidies involved.

Our opinion is that wheat prices should remain stable or even a bit stronger during the next few months. In the short term, substantial short speculative positions in US futures might prove supportive from now on. In the longer term, next crop prospects could trigger new and clearer trend for prices. Early forecasts for the next 2005/2006 crop pegged world production at a favorable 599mT, but 22mT below the previous season production and 9mT below 2004/2005 estimated consumption.

*Emmanuel JAYET*

# STATISTICAL APPENDIX

## Prices

| Commodity | Unit | Prices as of | | | % Change On | |
|---|---|---|---|---|---|---|
| | | 26/01/2005 | 19/01/2005 | 28/01/2004 | One Week | One Year |
| Brent Physical (Spot) | US$/bbl | 46.6 | 45.1 | 30.1 | 3.3 | 54.8 |
| WTI (NYMEX) | US$/bbl | 48.8 | 47.6 | 33.8 | 2.6 | 44.6 |
| Natural Gas (Henry Hub, spot) | US$/mmbtu | 6.4 | 6.2 | 6.0 | 2.8 | 7.1 |
| Natural Gas (IPE, 1 Day Fwd.) | GB pence/therm | 30.9 | 29.0 | 29.5 | 6.4 | 4.6 |
| Unleaded Gasoline (NYMEX) | US¢/gallon | 135.2 | 134.6 | 99.0 | 0.4 | 36.6 |
| Fuel Oil (No, 2, NYMEX) | US¢/gallon | 140.3 | 123.7 | 97.2 | 13.4 | 44.3 |
| Steam Coal (ARA, CIF) | US$/tonne | 76.8 | 76.8 | 65.5 | 0.0 | 17.3 |
| EEX (Phelix, base)* | EUR/MWh | 42.4 | 37.3 | 35.7 | 13.6 | 18.6 |
| APX (all hours avg.)** | EUR/MWh | 40.7 | 49.2 | 38.1 | -17.4 | 6.6 |
| UKPX (spot)*** | £/MWh | 24.2 | 31.0 | 29.3 | -22.0 | -17.5 |
| Alumina (FOB Spot) | US$/tonne | 405 | 405 | 390 | 0.0 | 3.8 |
| Aluminum (LME) | US$/tonne (cash) | 1,835 | 1,848 | 1,620 | -0.7 | 13.2 |
| Copper (LME) | US$/tonne (cash) | 3,243 | 3,161 | 2,483 | 2.6 | 30.6 |
| Lead (LME) | US$/tonne (cash) | 954 | 952 | 771 | 0.3 | 23.8 |
| Nickel (LME) | US$/tonne (cash) | 14,355 | 14,763 | 14,965 | -2.8 | -4.1 |
| Tin (LME) | US$/tonne (cash) | 7,928 | 7,598 | 6,345 | 4.3 | 24.9 |
| Zinc (LME) | US$/tonne (cash) | 1,266 | 1,263 | 1,009 | 0.3 | 25.5 |
| Steel (HRC, CIS Export) | US$/tonne | 530 | 530 | 410 | 0.0 | 29.3 |
| Steel (HRC, US Import) | US$/short ton† | 630 | 630 | 410 | 0.0 | 53.7 |
| Steel (Slab, CIS Export) | US$/tonne | 483 | 483 | 378 | 0.0 | 27.8 |
| Cotton (Cotlook A) | US¢/lb | 52.4 | 52.3 | 77.0 | 0.1 | -32.0 |
| Cotton (No. 2, Futures, 1-mth, NYBOT) | US¢/lb | 46.8 | 48.0 | 70.8 | -2.5 | -33.9 |
| Pulp (BEKP, US Delivery) | US$/tonne | 555 | 555 | 548 | 0.0 | 1.4 |
| Pulp (NBSK, W. Europe CIF) | US$/tonne | 620 | 620 | 558 | 0.0 | 11.2 |
| Corn (No. 2, CBOT) | US¢/bushel | 186 | 183 | 256 | 1.6 | -27.3 |
| Palm Oil (Malaysia, Futures, 1-mth) | MYR/tonne | 1,298 | 1,296 | 1,803 | 0.2 | -28.0 |
| Rice (Thai LGW 100% B Grade, FOB) | US$/tonne | 278 | 278 | 223 | 0.0 | 24.7 |
| Soyabean (No. 1, CBOT) | US¢/bushel | 529 | 517 | 795 | 2.3 | -33.5 |
| Wheat (No. 2, CBOT) | US¢/bushel | 364 | 352 | 382 | 3.4 | -4.7 |
| Cocoa (LIFFE, Futures, 2nd position) | £/tonne | 866 | 838 | 869 | 3.3 | -0.3 |
| Coffee (ICO, Arabica) | US¢/lb | 82.3 | 81.0 | 62.2 | 1.6 | 32.2 |
| Coffee (ICO, Robusta) | US¢/lb | 37.7 | 36.9 | 40.6 | 2.3 | -7.1 |
| Orange Juice (Europe, C&F) | US$/tonne | 900 | 900 | 1,050 | 0.0 | -14.3 |
| Rubber (Singapore RSS3, Futures, 1-mth) | US¢/kg | 100.3 | 97.0 | 108.1 | 3.4 | -7.2 |
| Sugar (Raw, NYBOT, World FOB) | US¢/lb | 9.3 | 8.9 | 5.9 | 4.8 | 58.4 |
| Sugar (White, LIFFE, World FOB) | US$/tonne | 263 | 257 | 204 | 2.5 | 29.3 |

**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 | |
|---|---|---|---|---|---|
| | 26/01/2005 | 19/01/2005 | 28/01/2004 | One Week | One Year |
| Aluminum | 685,275 | 697,550 | 1,452,200 | -1.8 | -52.8 |
| Copper | 44,125 | 43,525 | 378,225 | 1.4 | -88.3 |
| Lead | 37,375 | 37,925 | 91,300 | -1.5 | -59.1 |
| Nickel | 18,012 | 18,720 | 16,146 | -3.8 | 11.6 |
| Tin | 6,035 | 6,670 | 16,050 | -9.5 | -62.4 |
| Zinc | 624,525 | 630,400 | 759,600 | -0.9 | -17.8 |

*Source: BNP Paribas from Datastream*

# US Oil & Natural Gas Stocks

| Product | Stocks as of | | | % Change On | |
|---|---|---|---|---|---|
| | 21/01/2005 | 14/01/2005 | 23/01/2004 | One Week | One Year |
| **Crude & Oil Products (million bbls)** | | | | | |
| Crude Oil* | 288,807 | 291,837.0 | 263,666 | -1.04 | 9.5 |
| Distillate | 122,980 | 121,099.0 | 131,023 | 1.6 | -6.1 |
| Jet Fuel | 42,016 | 41,622.0 | 39,219 | 0.9 | 7.1 |
| Gasoline | 190,107 | 191,670.0 | 176,650 | -0.8 | 7.6 |
| RFG Gasoline | 25,274 | 25,299.0 | 29,390 | -0.1 | -14.0 |
| Fuel Oil | 40,576 | 40,576.0 | 38,091 | 0.0 | 6.5 |
| Other Products | 251,111 | 251,034.0 | 237,275 | 0.0 | 5.8 |
| ***Total Crude & Product Stocks*** | ***960,871*** | ***963,137.0*** | ***915,314*** | ***-0.2*** | ***5.0*** |
| **Natural Gas (billion cubic feet)** | | | | | |
| Working Gas | 692 | 755 | 633 | -8.3 | 9.3 |

** Excluding SPR*
*Source: BNP Paribas from US Energy Information Agency*

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