

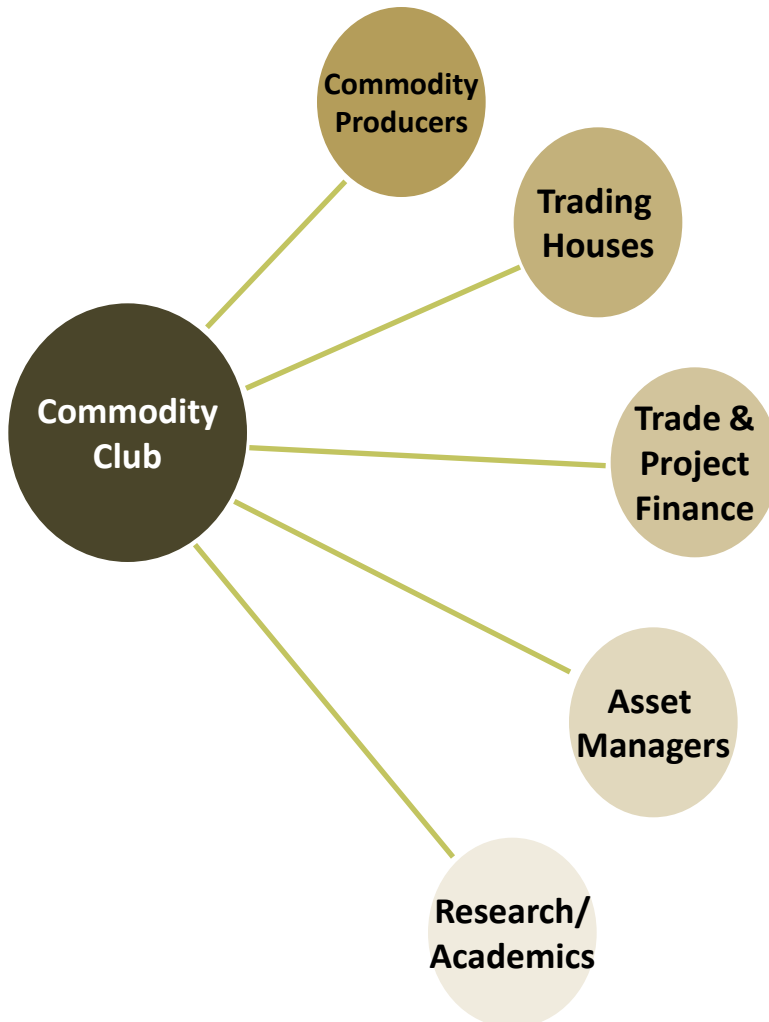
COMMODITY

— THE CLUB —

“Commodity market regulation: Changing the way commodities are traded”

Hosted by:  **CME Group**

Bringing together commodity experts along the value chain on an interdisciplinary basis



- **Build a network – personal interaction is key**
- During lunch and dinner events, club members can get to know each other personally and meet physically for interaction and discussions
- **Educational purposes**
- During dinner events, club members get the opportunity to expand their horizon and to acquire additional know-how from other areas
- **Exchange and combination of know-how**
- The active exchange of interdisciplinary know-how can lead to innovative solutions to today's global challenges in complex systems
- **Represent interests and inform**
- Club members and the board of directors uphold the interests of the commodity industry, while acting as an adviser for authorities which need to set out the most appropriate framework

Current topics in the commodity industry

- **Production & Transport**

- Production standards (human rights and protection of environment, EITI/PWYP)
- Production costs (fast growing emerging markets with high cost inflation)
- Regulatory environment
- Innovative exploration & processing methods (substitution effects/alternative energy)
- Efficient distribution of resources and operations research (optimizations/logistics)

- **Financing**

- Impact of Basel regulation on equity capital costs (Swiss Finish)
- Tax regimes for CTF-Holding-, Domizil- oder gemischte Gesellschaften
- Ensure clear procedures in case of mutual administrative and legal assistance

- **Investing**

- Recruiting and retaining staff/talent with appropriate expertise
- Maintaining robust and appropriate risk mgmt and risk modelling systems
- Preventing market abuse, further regulation of trading (excessive speculation)
- Forecasting commodity prices (long-term structural demand/supply picture)

Current topics: Tight oil energy revolution



- Roughneck Brian Waldner, covered in mud and oil while wrestling pipe on a drilling rig outside Watford (October 20, 2012, Reuters)

Current topics: Tight oil energy revolution



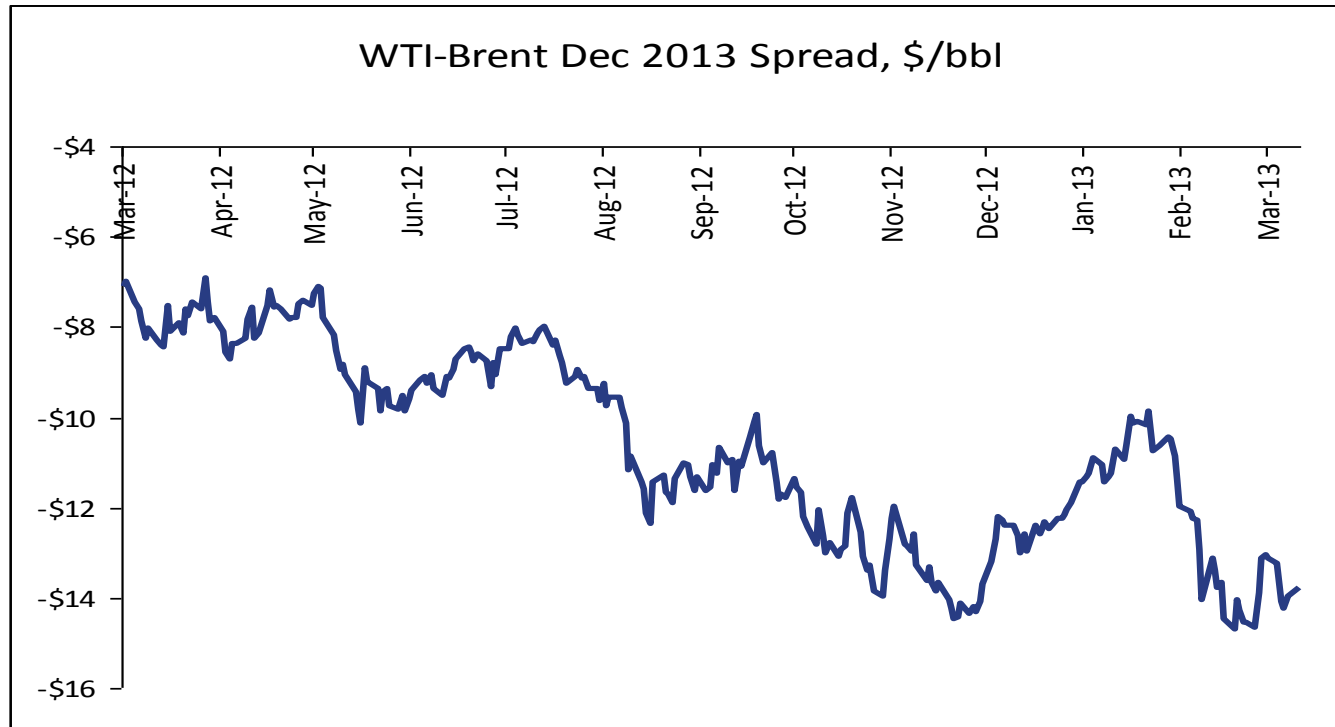
- A man camp for oil field workers outside Williston (October 19, 2012, Reuters)

Current topics: Tight oil energy revolution



- Northwestern North Dakota, one of the least-density populated parts of the US appears to glow at night due to gas and oil production. Lights are associated with drilling equipment and housing near drilling sites, and a few are evidence of gas flaring. (satellite image, NASA, November 12, 2012)

Current topics: Tight oil impact on WTI price



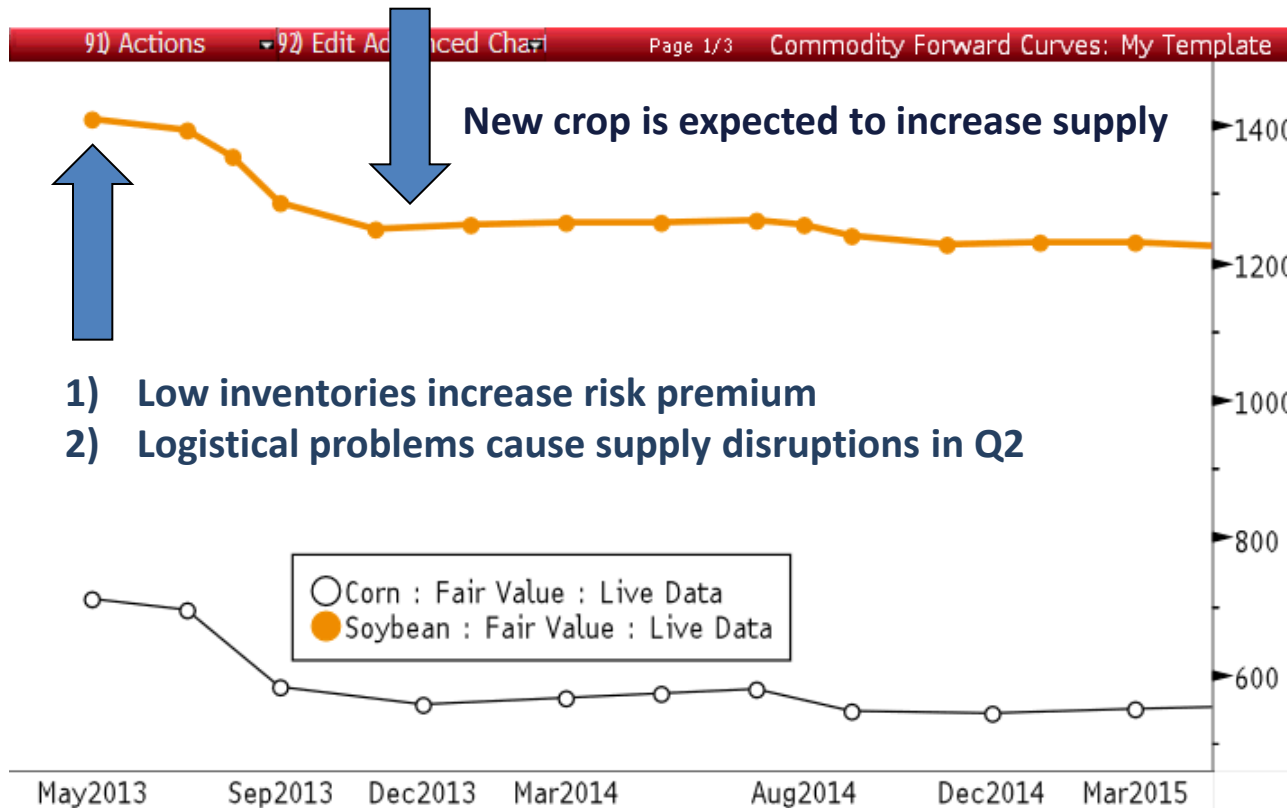
- US shale oil boom and pipeline delays cause WTI-Brent to weaken. WTI-Brent spread moved from customary small premium for WTI to steep discount 2 years ago
- Disconnect has become semi-permanent, as logistical difficulties prohibit arbitrage between US Midwest (WTI) and US Gulf Coast (Brent) pricing zones
- Improved pipeline infrastructure (Seaway, Keystone XL) paramount to clear US domestic crude surplus

Current topics: logistical problems for agriculturals



- Logistical problems to transport the Brazilian crops (Corn, Soybean) to ports to ship it to the US
- Delays lead to supply risks resulting in higher prices (convenience yield for near-term delivery)

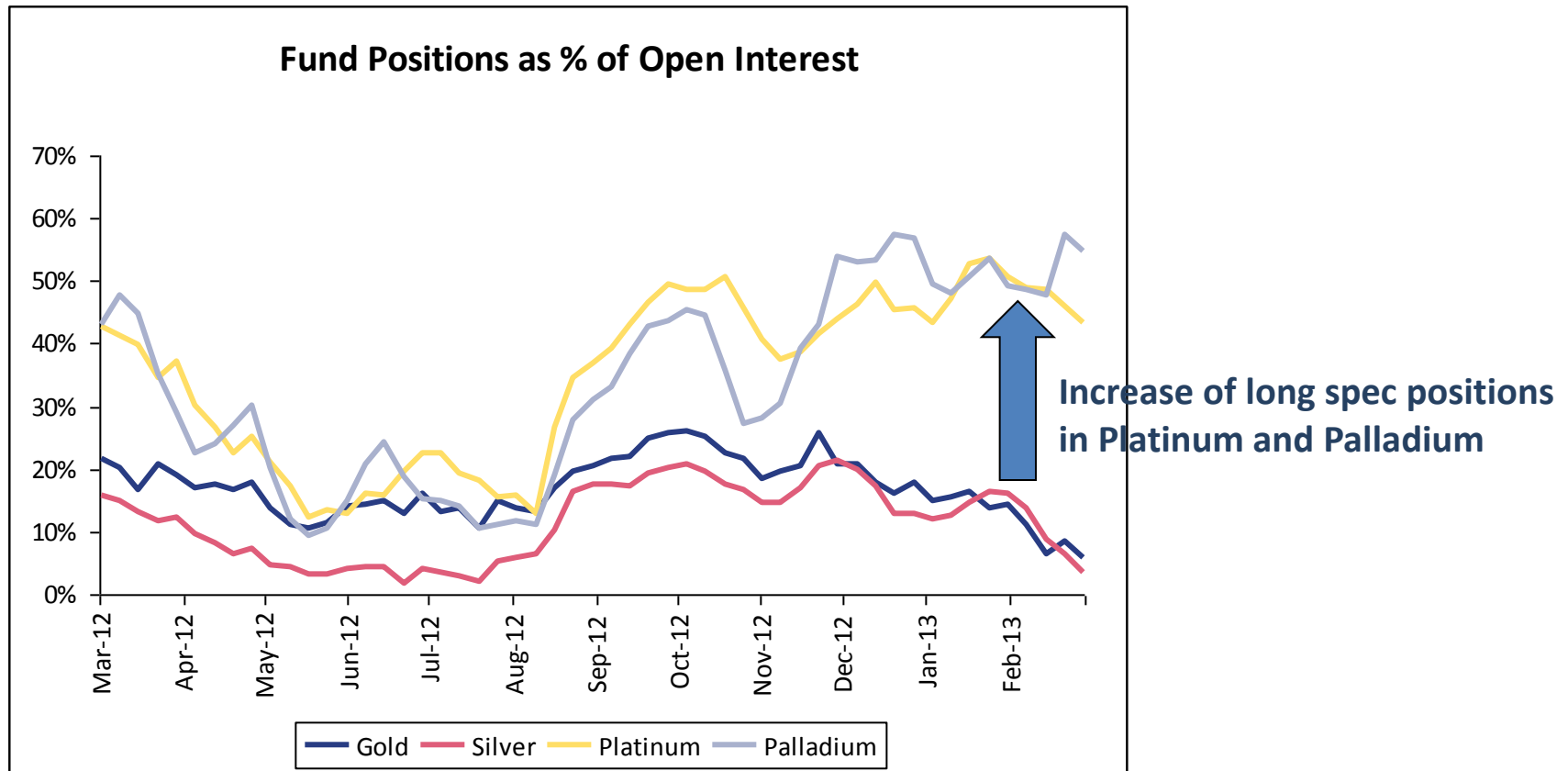
Current topics: fundamentals reflected in prices



- Extremely low inventories in corn after 3 consecutive disappointing crops years in US
- Premium of “old crop” over “new crop” at record high (extremely high backwardation) reflecting physical tightness

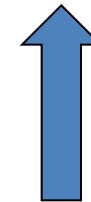
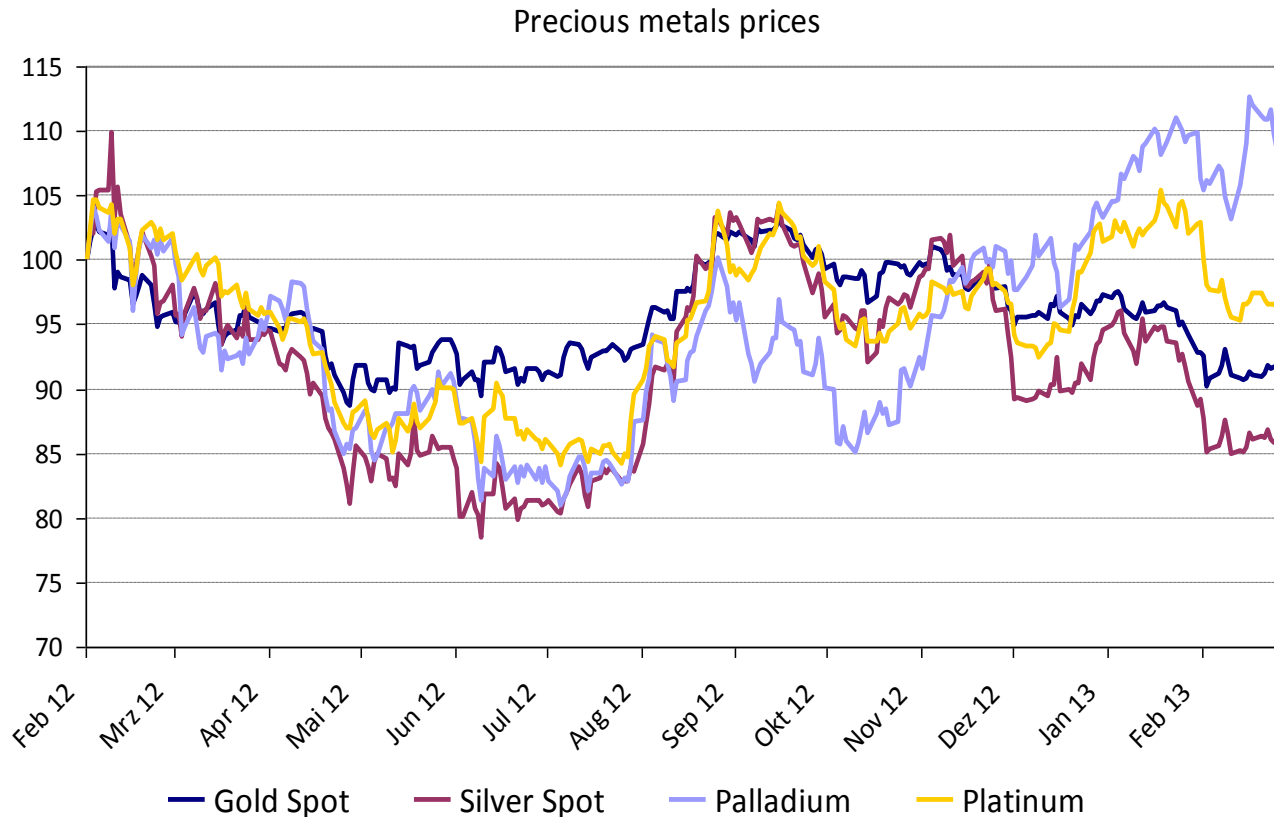
Source: Bloomberg

Current topics: speculative positions shifting



- Funds take profit on gold/silver as possible end to QE changes gold narrative
- PGM's fund positions at record high, on long-term deficits and South African turmoil

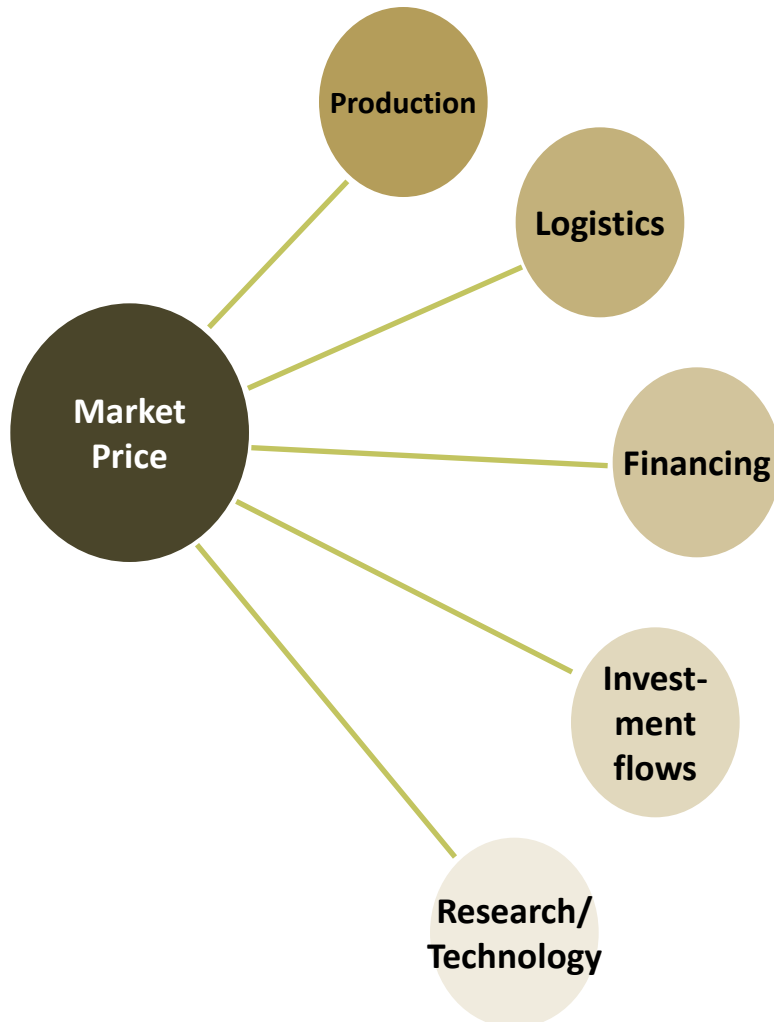
Current topics: mixed picture for precious metals



Platinum and Palladium prices increase due to economic recovery

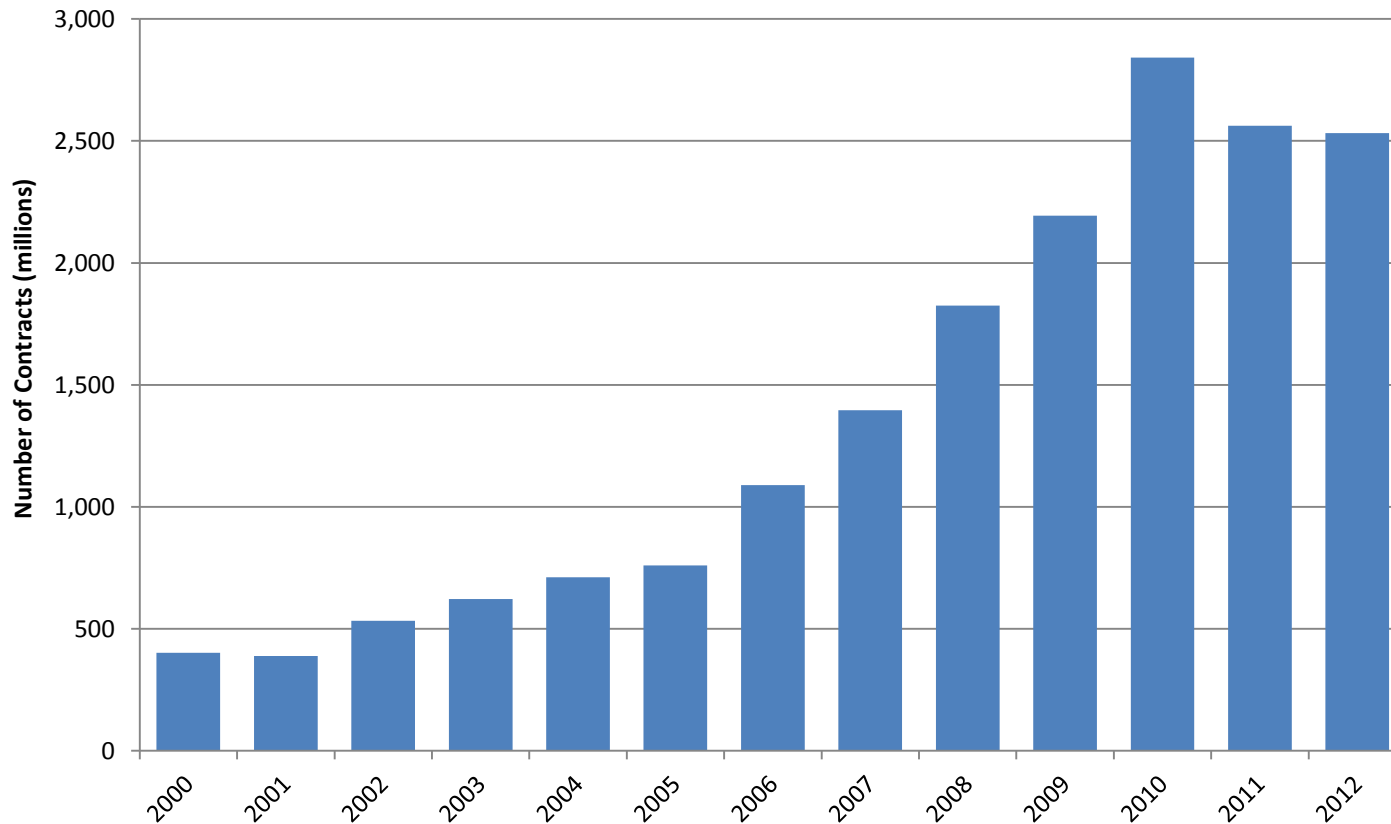
- Platinum and Palladium prices increase due to economic recovery
- Gold and silver in negative territory as safe haven demand fades

Broad set of factors along the value chain have influence on commodity market prices



- **Production/Supply**
 - Production capacity and input costs (labour, energy) influencing marginal production costs
- **Logistics/Demand**
 - Capacity from traffic and logistical side is important to meet supply and demand on time
- **Financing**
 - Financing capacity and financing cost influencing commodity trading and prices
- **Investments**
 - Investor sentiment and speculative flows influence commodity market equilibrium prices
- **Research/Technology**
 - Revolutionary technologies can increase supply and reduce production costs

Current topics: Strong growth of commodity trading

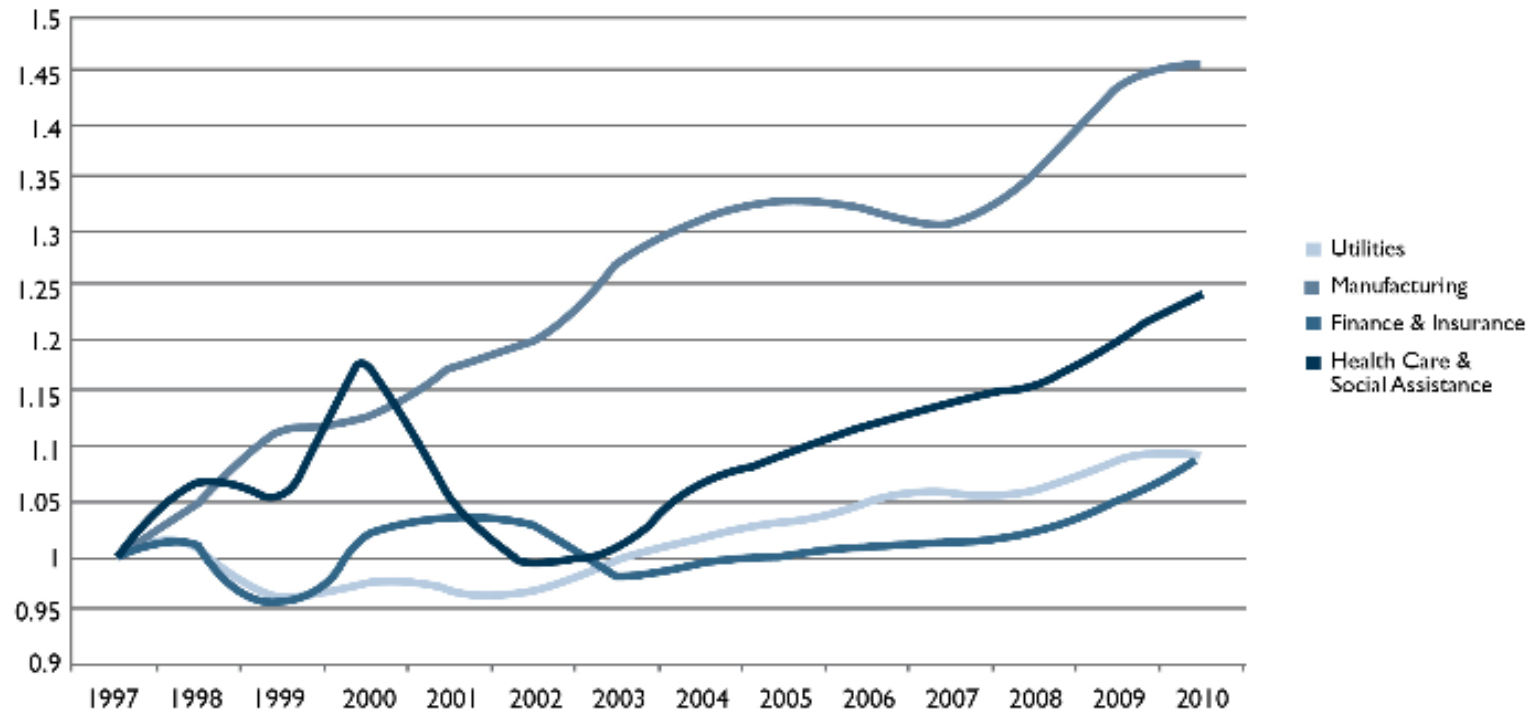


Source: FIA and CME Group

- Immense growth of commodity futures positions in the last decade

Regulatory environment getting tougher

Industry Regulation Index



- Increasing regulation taking place in all industries (Source: George Mason University)

Events 2013

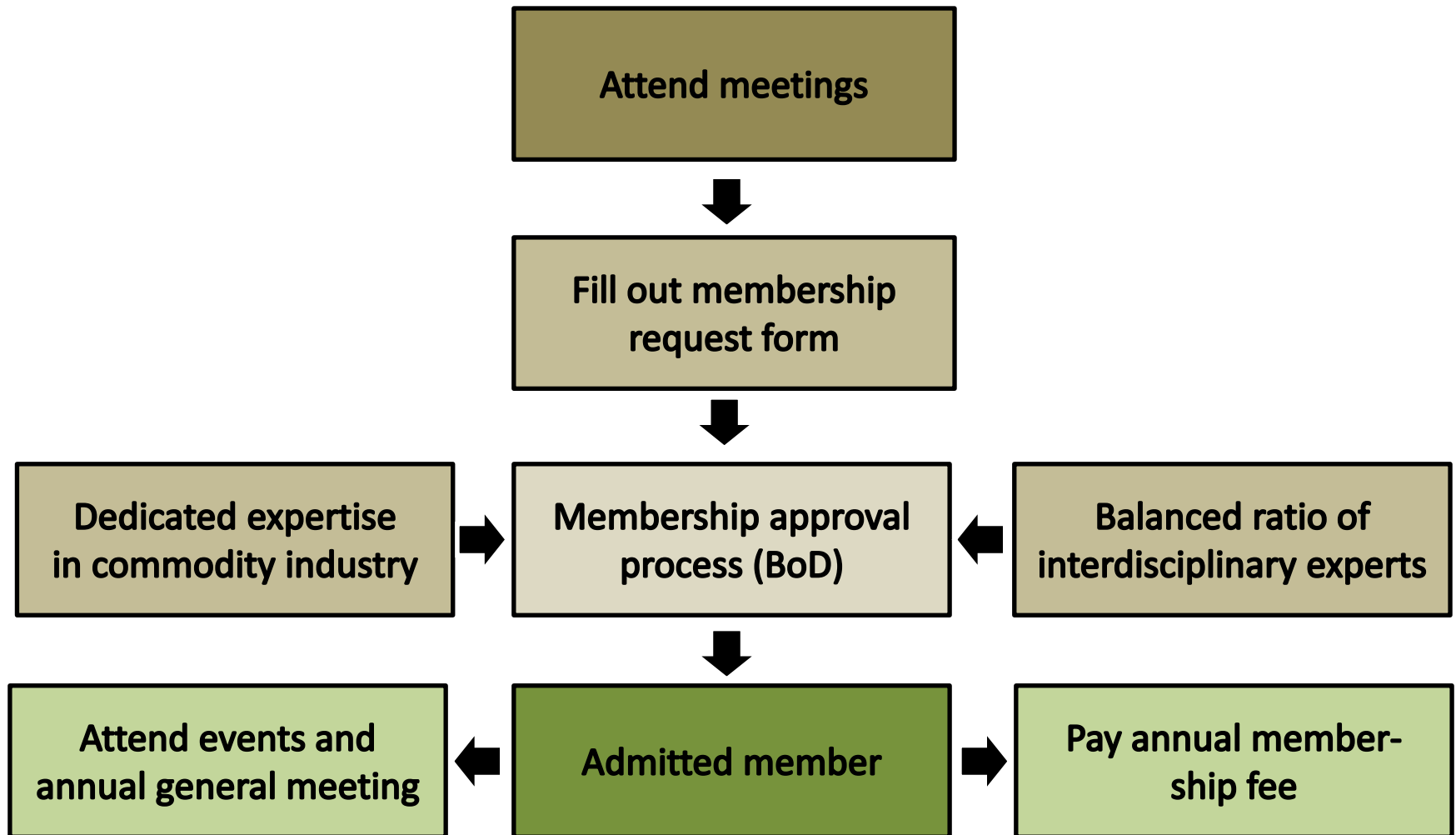
Lunch Events

2nd Quarter	Commodity lunch in Zug
3rd Quarter	Commodity lunch in Geneva
4th Quarter	Commodity lunch in Zurich

Educational Dinner Events

2nd Quarter	Physical and derivative strategies for precious metals investments
3rd Quarter	Event on a commodity-specific research field
4th Quarter	Sustainable commodity value chains and controversy on speculators (co-organized with greenbuzz.ch)

Membership – Admission procedure



Homepage www.commodityclub.ch – your portal for documents, research and event updates



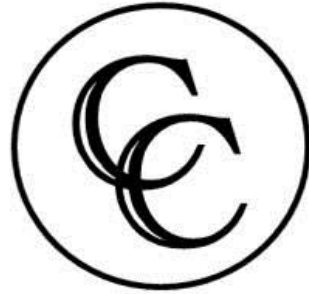
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Complex systems
need interdisciplinary
solutions



New business club for commodity managers

The business club aims to bring together business professionals and leaders, who are actively involved in the commodity business in Switzerland. The club offers the opportunity to socialise among individuals with similar interests and to make and expand business connections.



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and



CME Group

wish you an interesting event!