ABN·AMRO

Quarterly Commodity Outlook

Commodity Research
commodity.research@nl.abnamro.com

25 January 2012

Energy:

US natural gas prices are at their lowest point in ten years against a backdrop of stubbornly high unconventional gas production. For now, international gas market developments outside the US could still offer an upward trend in gas US prices. WTI faces continued downward pressure as unconventional oil output remains high but even as throughput leading from the Midwest has improved while Brent maintains its edge over WTI, driven by countervailing forces of eurozone worries and geopolitical risks. Going forward, we expect WTI to face slightly downward path year-on-year while Brent is expected to increase, so maintaining a structural spread.

Precious metals:

Precious metals have seen a sizable correction in H2-2011 and short-term positions have been cut back. ETF positions have only seen a modest correction. With short-term positions being reduced, this offers room to position again. The largest reduction of positions (short-term) was seen in silver and palladium. The downside in prices seem limited for Q1 as most negative economic news appears to be priced in except for platinum where situation in the eurozone remains crucial. Silver and palladium have a large exposure to the global growth cycle and offer the best cards if the global economic cycle would improve this year. Overall we move back to Neutral and wait for the opportunity to position in silver and palladium.

Base metals:

The first signs of the downtrend having reached a possible bottom are seen and this could indicate a start of a correction phase higher in the coming months. Nevertheless, upside potential is limited unless global economic fundamentals start pointing in a more positive direction. US data already start to come in better and if these are able to continue, followed by lower tensions regarding the eurozone debt crisis and solid growth in emerging markets (mainly China, India); base metals are set to rally as one of the first commodity categories in 2012. Tighter market conditions and emerging market demand, mainly from the construction sector, will prove supportive for base metal prices in 2013 and 2014.

Ferrous metals:

From December until February, Australia's Queensland normally witnesses heavy weather conditions. This means severe mining conditions for both iron ore and coking coal. Next to that, the Chinese government announced some easing in monetary policies, which will ease credit restrictions and boost liquidity. In theory, this should be positive for ferrous metals demand and we think there is enough support for stable prices. Steelmaking raw materials prices will stay firm for coming three months. Despite the economic downturn, investments remain high on the agenda for steel mills. Mills have an increased interest in upstream integration; captive (raw materials) production decreases the exposure to price volatility.

Agriculture:

In 2012 production will be on a healthy level for most agriculturals. The weather has a significant impact on production. The end of the La Niña weather phenomenon will give way to more normal production levels after bumper crops in 2010/2011. Long-term, global consumption will increase, fuelled by a growing population, ongoing urbanization, improving prosperity and a shift in consumption patterns. In the current season, consumption will weaken due to economic developments. Most markets are well-balanced. In H1 2012, prices of most agriculturals will remain at high levels, given the tight market undertone, while wheat prices will decline.

ABN AMRO Price Outlook Q1-2012

	3-months view	*long term view (until 2014)*
WTI	↔	↓
Brent	↗	↑
Natural gas	↓	↑
Gold	↔	↓
Silver	↔	
Platinum	↓	
Palladium	↔	
Aluminium	↔	↑
Copper	↔	↔
Nickel	↔	↓
Zinc	↔	↑
Steel (HRC)	↔	↙
Iron ore	↔	↓
Coking coal	↔	↙
Grains	↙	
Coffee	↔	
Cocoa	↔	
Sugar	↔	

- ↓ decrease by 10% or more
- ↙ decrease between 5% and 9%
- ↔ price movement between -4% and +4%
- ↗ increase between 5% and 9%
- ↑ increase by 10% or more

- Short term: our three month outlook versus spot rate on January 23rd.
- Long term: 2014 average forecast price versus 2012 forecast price.

FORECASTS Q1-2012 (1)

	Spot rate 23 Jan	Average price Q4-2011	3-months	2012	2013	2014
Energy:						
- WTI (USD/barrel)	98.18	94.15	100	100	95	90
- Brent (USD/barrel)	109.39	109.34	110	105	110	115
- Natural gas (USD/mmBtu)	2.32	3.30	2.10	2.50	2.75	3.00
Precious metals:						
- Gold (USD/oz)	1,677	1,682	1,700	1,600	1,400	1,300
- Silver (USD/oz)	32.45	31.78	30	34	-	-
- Platinum (USD/oz)	1,545	1,529	1,350	1,500	-	-
- Palladium (USD/oz)	678	629	650	700	-	-
Base metals:						
- Aluminium (USD/t)	2,203	2,093	2,100	2,250	2,550	2,750
Aluminium (USD/lb)	*0.99*	*0.95*	*0.95*	*1.02*	*1.16*	*1.25*
- Copper (USD/t)	8,353	7,515	8,500	8,600	8,700	8,500
Copper (USD/lb)	*3.79*	*3.41*	*3.86*	*3.90*	*3.95*	*3.86*
- Nickel (USD/t)	20,261	18,383	20,000	20,500	19,000	18,500
Nickel (USD/lb)	*9.19*	*8.34*	*9.07*	*9.30*	*8.62*	*8.39*
- Zinc (USD/t)	2.042	1,904	2,000	2,350	2,500	2,650
Zinc (USD/lb)	*0.93*	*0.86*	*0.91*	*1.07*	*1.13*	*1.20*
Ferrous metals:						
- Steel (global, HRC; USD/t)	645	643	630	650	620	605
- Iron ore (fines, USD/t)	146	150	152	148	135	127
- Hard coking coal (USD/t) (2)	216	231	225	236	228	219
Agricultural:						
- Wheat (Cts/bu)	601	641	550	525	-	-
- Coffee (Cts/lb)	231	192	230	210	-	-
- Cocoa (USD/t)	2,366	2,478	2,400	2,500	-	-
- Sugar (Cts/lb)	24.22	24.15	22.50	21	-	-

(1) The 3-months forecasts is a Q1 2012 exit price. Forecasts for 2012, 2013 and 2014 are average year prices.

(2) Prime coking coal Australia,CIF

CONTENTS

Macro economic developments

- Macro ---------- 4
- Commodity Top-Down---------- 5

Energy

- WTI ---------- 6
- Brent ---------- 7
- Natural Gas ---------- 8

Precious metals

- Gold ---------- 9
- Silver ---------- 10
- Platinum ---------- 11
- Palladium ---------- 12

Base metals

- Aluminium ---------- 13
- Copper ---------- 14
- Nickel ---------- 15
- Zinc ---------- 16

Ferrous metals

- Steel (HRC) ---------- 17
- Iron ore ---------- 18
- Coking coal ---------- 19

Agriculturals

- Wheat ---------- 20
- Coffee ---------- 21
- Cocoa ---------- 22
- Sugar ---------- 23

Macro-economic indicators

- Facts & Figures ---------- 24

Contributors

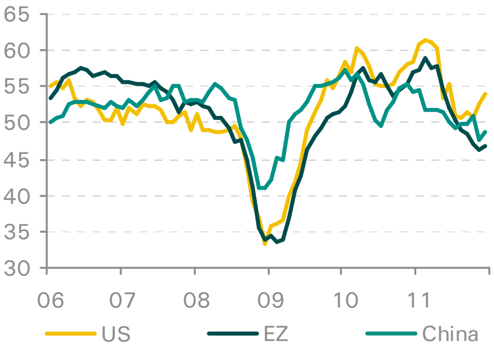
- Analysts and economists ---------- 25

Nick Kounis (Head Macro Research, Group Economics)

Macro

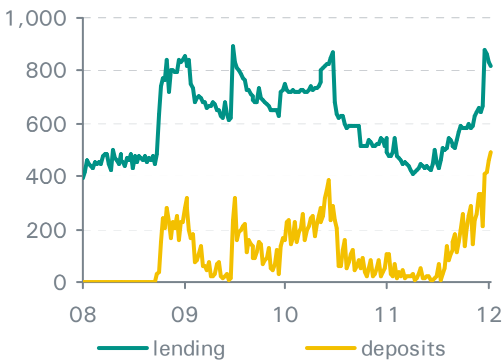
- **Global cycle seems to be close to bottoming out**
- **Euro crisis unresolved, but should be contained eventually…**
- **…setting scene for growth to regain traction later in the year**

Manufacturing PMI surveys



Source: Thomson Reuters Datastream

ECB: lending and deposits



Source: Thomson Reuters Datastream

Early signs of cyclical trough

There are early signs from business surveys that the loss of momentum seen in the global economy is close to an end. The global manufacturing PMI inched up in December, with most big economies experiencing a rise. The US economy was actually stronger in the second half of the year, than the first. A number of temporary drags to growth, including the past rise in oil prices, dissipated. Emerging markets had been on a slowing track, at least until very recently, but the pace of growth remains high. Indeed, China's GDP growth slowed in Q4, but still recorded quarterly annualized growth of 8%, and a year-over-year expansion of 8.9%. The combination of slower global demand, tighter financial conditions and the property market slump – with heavy industry particularly affected – dampened growth. However, it still very much looks like a soft landing, with surveys as well as hard data gaining their footing at the end of the year. The performance of the US and major emerging markets, underline that there has been a remarkable divergence with the eurozone economy, which looks to have entered a recession.

Euro crisis unresolved, but should be contained

Financial markets have also entered calmer waters, with risk appetite improving. As well, as the better economic numbers, a key factor has been the ECB's provision of 3-year loans to banks against a wider range of collateral. Although these funds have largely been deposited back at the ECB, the action avoided the credit crunch that appeared to be looming at the start of the year, This has helped to improve sentiment, with demand at recent sovereign bond auctions firming. Still, we are by no means out of the woods yet. A comprehensive package to contain the crisis is still not yet in place. Bank funding strains remain elevated. In addition, next month will be much more challenging in terms of sovereign issuance. There remains a risk that tensions will re-escalate. Still, we judge that policymakers will act decisively eventually. Europe and the IMF need more financial firepower, while the eurozone needs a growth – as well as an austerity – agenda.

Global economy to regain traction later in the year

Tighter financial conditions and uncertainty will keep the eurozone economy in recession in the coming months, but credible policy action should lay the foundations for a recovery later in the year. Meanwhile, emerging markets should gain pace during the course of the year, given that the monetary policy cycle is now clearly turning towards easing. US economic growth should continue to hold up. However, it will not be a case of 'the good times are back again'. Fiscal consolidation especially in the eurozone and to a lesser extent the US will restrain economic activity. The US housing market will take time to return to normal. Finally, we do not see emerging market authorities stepping on the gas as aggressively as in 2009, reflecting concerns about re-stoking up inflation and financial imbalances.

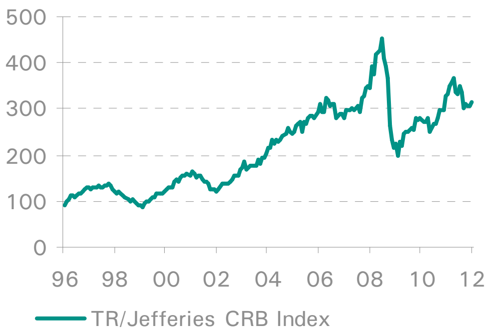
Upside to the forecast:	**Downside to the forecast:**
- Earlier than expected policy action	- Bigger confidence shock than expected
- Further monetary policy stimulus	- Sovereign debt crisis spirals out of control
- Companies are cash-rich	- Policymakers' lack of ammunition in advanced economies

Georgette Boele (ABN AMRO Private Banking)

Commodity Top-Down

- **Back to Neutral**
- **More upside potential if the growth outlook and eurozone debt crisis improves**
- **But commodity as an asset class remains expensive compared to equities**

Historical price CRB Index



Source: Thomson Reuters Datastream

Dow Jones/WTI ratio

Source: Thomson Reuters Datastream

Dow Jones/CRB ratio

Source: Thomson Reuters Datastream

Back to Neutral

Since 23 September 2011 we have been negative in commodities, based on a weak global growth outlook and the risk of position liquidation. We took this position at 303 in the CRB index. It had a volatile ride but in the end a clear direction was missing. There was no lack of direction in individual commodities, however. Metals have been under heavy pressure, as have agriculturals, but energy (mainly crude oil) was able to bounce higher. This has balanced the movements in an index with a larger energy weight. The CRB index appears to be well supported close to 295 and a break in the short term seems unlikely. Bearish growth projections and the eurozone debt crisis notwithstanding, what will be able to push it through this crucial support level? The move back to fundamentals has played out in precious and base metals. But the crude oil market remains driven by the risk premium and a sense of shortage.

Outlook for 2012

2012 started on a similar tone as 2011, with oil prices being driven by geo-political tensions in the Middle East. The relatively higher oil price will squeeze the margins of other commodity producers because of higher input costs: higher fertilizing costs in the case of agriculturals, higher mining costs in case of gold and higher smelting costs in case of aluminium. Furthermore, high oil prices and Brent 'out-pricing' WTI seem to be the new standard. Economists and analysts have made up their minds that this year it is going to be another difficult one. The eurozone debt crisis will linger on, the US will be paralyzed with the upcoming US presidential elections, China will ease monetary policy in this transition year, but other emerging markets will likely be more careful. Overall, 2012 started where 2011 ended: with lots of uncertainty. One thing is different though: from time to time market sentiment takes a turn for the better and that is a clear difference compared to the doom and gloom of last year. The surprise factor will be on the upside. Therefore we have moved commodities back to Neutral.

Relatively unattractive

Our move back to Neutral is one thing, becoming outright bullish is another. We continue to believe that timing, fundamentals, monetary policy and the regulatory environment are not aligned in such way that we are about to see the start of a new bull phase for commodities. But a serious sell-off would be an opportunity to position for a strong recovery. Monetary stimuli will be targeted and more specific and not, as before, unlimited and untargeted leading to waves of liquidity that find their way into commodities. The regulatory overhang has the undesired effect of reducing leverage, something that is not supportive to commodities in general. We continue to hold the view that a strong recovery in sentiment and improved growth prospects will be more supportive to equities than to commodities in general. The Dow Jones (DJ)/CRB ratio, which compares the performance of both indexes, has moved sideways since 2009 on a relatively low level. We believe there will be more relative upside for the DJ than for the CRB.

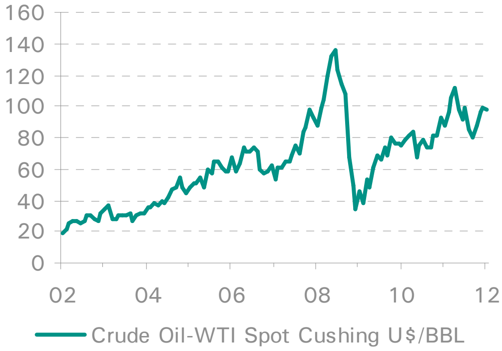
Upside to the forecast:	Downside to the forecast:
- Large supply disruptions	- Ample commodity supply
- More resilient global growth	- Global recession
- USD depreciation	- Liquidity trap or market panic

Tim Boon von Ochssée (ABN AMRO Sector & Commodity Research)
Hans van Cleef (ABN AMRO Private Banking)

Energy | WTI (West Texas Intermediate)

- **WTI increasingly driven by structural changes in US oil production**
- **Positive outlook US economy supports current price level**
- **The gap between WTI and Brent appears increasingly structural**

Historical price WTI



Source: Thomson Reuters Datastream

US oil production *('000 barrels per day)*

Source: Oil Market Intelligence

Commodity Research price forecast
(USD/barrel)

	3-month	2012	2013	2014
WTI	100	100	95	90

Source: ABN AMRO

Brent/WTI spread finally came in

Over the past few months, the Brent/WTI spread declined significantly for several reasons. WTI prices rose on the back of positive US data, triggering hope of rising future WTI demand. Furthermore, the announcement of a reversal of the Seaway oil pipeline making exports of the record high WTI supplies possible in the course of 2012 resulted in a higher premium on WTI oil. Nevertheless, the fact that inventories at Cushing, Oklahoma, are still at record high levels and warm weather conditions fail to boost demand caps the upside. Rebalancing of major commodity indices also added some pressure on WTI, as WTI positions were switched for more Brent exposure. Both Brent and WTI forward curves are in backwardation (spot price > forward prices), which is somewhat strange for WTI, as there is no supply constraint.

Support should come from demand side

There is a risk of lower demand for WTI now that natural gas is an attractive alternative because of its extremely low price. If the weather also continues to be too warm for the time of the year, demand could strongly disappoint resulting in even higher stocks and more pressure on WTI prices. This may come on top of already announced unconventional oil findings. The delay of the Iranian oil import embargo by the EU by six months will ease the pressure on energy prices somewhat and will therefore keep the Brent/WTI spread around current levels. However, the risk of an increase of this spread remains and could materialize later this year. If US exports finally proceed and US data continue to come in strong, WTI prices could find more support. We expect WTI to trade at USD 100/bbl in the first quarter of 2012.

Keeping the lid on WTI

Mirrored by an expansion of unconventional gas production in the US, unconventional oil production in the US and additional imports from Canada maintain a downward pressure on oil prices in the US up to the end of 2012. North America is seen as the strongest source of oil production growth of non-OPEC countries. Combined with persistently high inventories in the US, this trend helped depress WTI prices over 2011. Currently, US oil production is estimated to increase by as much as 8.3m b/d by 2016. There is even talk of the US becoming self-sufficient in its oil needs by 2020. In essence, WTI is increasingly becoming a less reliable marker for developments on the global oil market (also see the chapter on Brent in this report) as the US move ahead in relative isolation from developments from non-OECD oil markets. That said, the impact on global oil market developments of large increases of US unconventional oil production is one of the bearish price drivers for the longer term: USD100/bbl in 2012, USD95/bbl in 2013 and USD90/bbl in 2014.

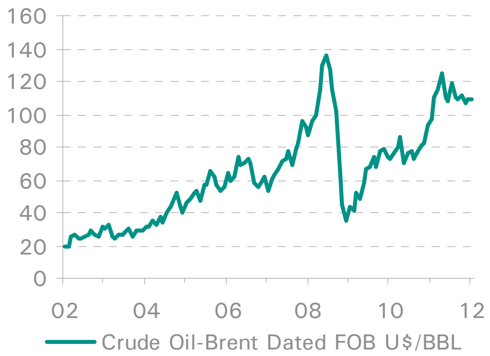
Upside to the forecast:	**Downside to the forecast:**
- Markets positioning for economic recovery	- Increased production of 'tight oil' in the US
- Possible conflict between the West and Iran	- Economic malaise in the US as a result also of high fuel prices

Tim Boon von Ochssée (ABN AMRO Sector & Commodity Research)
Hans van Cleef (ABN AMRO Private Banking)

Energy | Brent

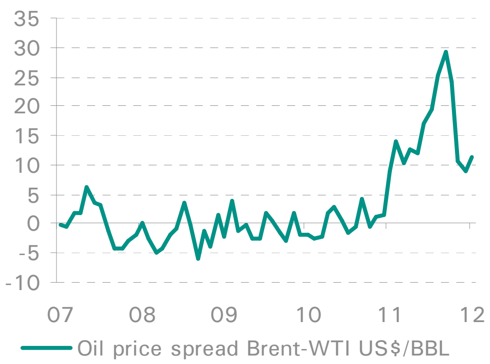
- **Compared to other commodities, pressure on Brent oil was limited**
- **Impact of the Iran issue still limited**
- **Brent faces considerable upside potential in the medium- to long-term**

Historical price Brent



Source: Thomson Reuters Datastream

Oil price spread Brent-WTI



Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/barrel)

	3-month	2012	2013	2014
Brent	110	105	110	115

Source: ABN AMRO

Balanced drivers result in range trading

In the previous quarter, Brent oil traded within a USD 10 range with an average price of USD 109. Several drivers balanced each other out, but this did not lead to lower volatility. Fundamental drivers (like slower global economic growth, newly found unconventional oil wells) were capped by production disruptions (like in Nigeria after the removal of fuel subsidies) and political tensions (Iran). Especially the tense situation regarding the Iranian nuclear program had a somewhat supportive effect on oil prices. Tensions increased after the EU announced an embargo on Iranian oil imports, after which Iran threatened to close off the Straight of Hormuz, the sea Channel between Iran and Oman, through which about 17 million oil barrels per day (bpd) are shipped.

Q1: Three drivers to focus on

In the coming quarter, the focus will remain on the three most important drivers. 1) Global economic conditions are likely to remain uncertain. This will have a dampening effect on energy demand and thus caps the upside potential for Brent oil. 2) Stocks could be rebuilt due to a) lower demand, b) new supply from unconventional sources, and c) re-ignition of Libya oil production. This will cap the upside potential as well. 3) The situation in Iran will be closely monitored. The EU announced it will delay the oil import embargo by six months to find alternative oil suppliers and to avoid enhancing the impact of the austerity measures earlier taken. Nevertheless, this could potentially boost oil prices for a short period of time to record high levels. This is not our main scenario, however. We remain neutral and expect Brent oil to trade around USD 110/bbl in Q1.

Brent's lead over WTI may well be structural

The widening of the Brent-WTI spread, though it has oscillated between USD 5/bbl to values of over USD 20/bbl, appears to be of a structural nature. It reflects the fact that price markers outside the US are beginning to reflect global market circumstances better than WTI. Due to geopolitical developments, Brent will face significant upward pressure this year. Simultaneously, however, the IEA trimmed OECD oil demand outlook for 2012, as did OPEC. While non-OPEC oil supplies are likely to be boosted throughout the forecast period, most notably in the US, forecasts for economic growth point to an improvement for most economies. China and non-OECD countries will continue to play a key role in driving global oil demand growth. We believe that in the medium- to long-term to 2014, market circumstances will be such that Brent will remain under upward pressure yoy, barring an unconventional oil production revolution outside the US: USD 105/bbl for 2012, USD110 for 2013 and USD115/bbl in 2014. If US oil production continues to increase as considerably as it currently does, it would be felt on the international oil market.

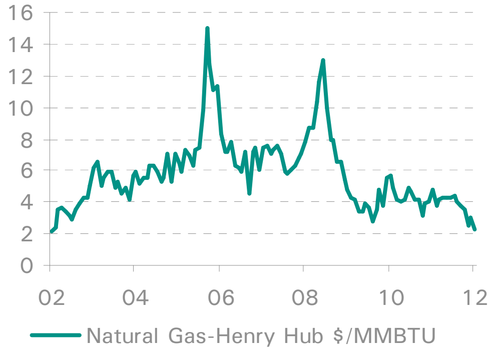
Upside to the forecast:	Downside to the forecast:
- Situation as a result of EU/US embargo Iran escalate	- The EU debt crisis leads to further recessionary pressures
- An earlier and stronger-than-expected solution to the EU crisis	- Additional non-OPEC oil supplies roll into the market
- Easing fears for US economic soft-patch	

Tim Boon von Ochssée (ABN AMRO Sector & Commodity Research)
Hans van Cleef (ABN AMRO Private Banking)

Energy | Natural gas

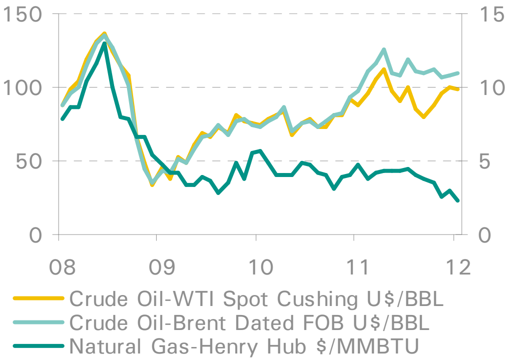
- **Gas prices declined due to unrelenting gas output in the US**
- **Historically, prices are at their lowest level in ten years**
- **Higher gas prices on the back of large rise in gas consumption outside the US**

Historical price Natural gas



Source: Thomson Reuters Datastream

Natural gas and oil prices



Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/mmBtu)

	3-month	2012	2013	2014
Natural gas	2.10	2.50	2.75	3.00

Source: ABN AMRO

Price declines unexpectedly continued

Mild weather conditions, record high inventories and ongoing strong production resulted in a massive drop of natural gas (NatGas) prices to a 28-month low. Over the past few months, the average temperature in the US and Europe was significantly higher than normal. This resulted in a sharp drop of demand (-11% in Europe in 2011). At the beginning of January, hedge funds entered short positions for the first time in several months. This led to an acceleration of the price declines, bringing the Henry Hub NatGas spot price below USD 2.55.

Downtrend intact but possible turning point in Q1

Due to the lower demand during the winter season, stocks will be much higher than normal when we enter the Spring season with traditionally lower demand. This could potentially add even more pressure and will also have a dampening effect on commodity indices. Looking ahead, it is hard to say that the bottom has been reached, now that NatGas prices are clearly in a downtrend. Nevertheless, it is getting less likely that this downtrend will hold on for much longer. Refiners are starting to feel the pain of the current low pricing, meaning production should normalize any time soon. Unwinding of the short positions, preferably triggered by stronger US, EU and/or Chinese data, could signal a turning point. We remain Neutral with a Q1 forecast of USD 2.10. We will continue to closely monitor the NatGas market for clues that may justify a change to Overweight in order to benefit from a price correction higher.

Gas 'rebound on the rebound' has yet to take place

US natural gas prices hit a decade low early 2012. US unconventional gas prosecution continues relentlessly, even against the backdrop of low US gas prices. Since 2009, gas volumes from LNG projects in various gas-exporting countries have come on-stream, even as the aftermath of the financial and economic crisis unfolded. The US is even set to become a gas-exporter if the current trend persists. That said, though, the year 2010 saw the greatest yoy increase in gas consumption worldwide (7.4%) in four decades, a rebound from 2008-2009 levels. We believe that while 2012 prospects for natural gas prices in the US may be bearish (USD 2.5/mmBtu), and unspectacular for 2013-2014, international gas market developments could provide a slight upside to this forecast. However, the unconventional gas production boom in the US could last for some years and eventually have knock-on effects outside the US, as LNG exports become available. We believe that, at the end the day, a slight rise in Henry Hub prices is likely, up to and including 2014, as gas demand increases across the board outweigh the impact of increases in unconventional gas production.

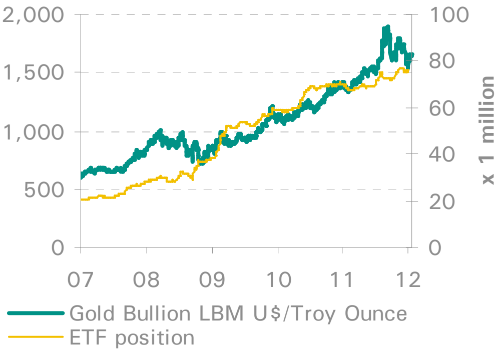
Upside to the forecast:	Downside to the forecast:
- Switching to additional gas-fired power generation - Extreme weather conditions (long period of cold)	- Continued and accelerating unconventional gas output - Warm winter in US could lead to lower demand

Georgette Boele (ABN AMRO Private Banking)

Precious metals | Gold

- **The need for liquidity triggered a sell-off in gold**
- **Speculative positions cut back; ETF positions only marginally reduced**
- **Lack of alternatives for now so we move back to Neutral**

Historical price gold and ETF position



Source: Thomson Reuters Datastream

Historical Gold/Platinum ratio

Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/oz)

	3-month	2012	2013	2014
Gold	1,700	1,600	1,400	1,300

Source: ABN AMRO

Liquidity sell-off

After the aggressive sell-off in September 2011 gold prices recovered and the rally lasted until the moment that the eurozone debt crisis further deteriorated. Banks got reluctant to lend to each other and this resulted in stress in the money markets, especially for the USD. The major central banks quickly reacted in a coordinated action and opened USD swap lines. This calmed the market somewhat. But the need for USD liquidity remained and banks looked for alternative routes to cover this need. One of them was linked to gold. Banks borrowed gold and swapped it for dollars, thus covering their USD liquidity needs. As a soon as the market picked up on this, gold prices tumbled again. They dropped from USD 1,795 on 8 November 2011 to USD 1,524 on 29 December 2011, or another 15%. Gold closed the year at USD 1,564, close to our year-end forecast of 1,600. The year average of USD 1,574 also came very close to our 1,545 forecast.

Positions reduced

Even though gold was sold off, the gold price was resilient compared to the other precious metals and commodities. The lower prices have attracted demand from Asia – mainly China – and gave several central banks the opportunity to diversify reserves at a relatively attractive level. As we have mentioned in earlier reports, the dynamics of the gold market have changed over time. Where not so long ago jewellery demand was the most dominant driver, this time investor demand is an equally important driver. This has made gold prices far more volatile and less able to fulfil its role as safe haven. Asset investors need to keep this in mind before they en masse buy gold again. In the recent sell-off, speculative positions on the futures markets declined to 2009 levels. Total ETF positioning declined as well, but this was relatively modest. These positions could decline further if and when better alternatives present themselves.

Lack of alternatives

Alternatives to gold appear to be hard to find at the moment. Of the precious metals (jewellery), platinum has not been the expected competitor to white gold. But it could yet become one if platinum prices remain under pressure. Of the commodities, base metals could become more attractive, should the global economic outlook improve. This is not yet the case, so gold is likely to outperform base metals in the short term. Gold is also likely to outperform most major currencies as long as real interest rates remain low and monetary policies accommodative. Gold price volatility remains an important variable to watch. Higher volatility is usually linked to a sell-off and lower volatility to a comfortable trend. Since the end of 2011 volatility has diminished, making the case for a recovery in gold prices. The high gold prices have stimulated investments in mining. Lower grade ores have become more attractive and more challenging mining circumstances worth the risk. Total production costs have increased, but the high gold price continues to widely compensate for this. Gold prices remain the most sensitive to demand, of which current variables are more supportive.

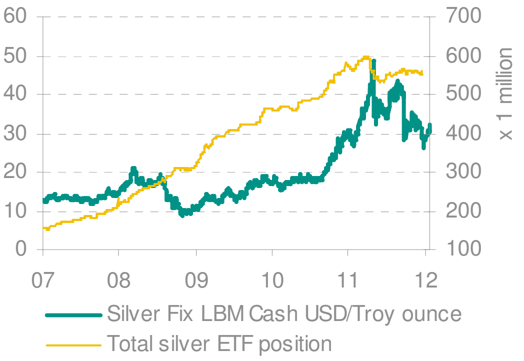
Upside to the forecast:	Downside to the forecast:
- More quantitative easing	- More optimistic global growth outlook triggering central bank action
- Improving investor sentiment	- Strong global growth making equities & base metals more attractive
- Depreciation USD	- Regulatory overhang

Georgette Boele (ABN AMRO Private Banking)

Precious metals | Silver

- **Liquidity and growth outlook liquidation**
- **Opportunity to position for cyclical recovery**
- **Keep a close eye on longer-term investment community**

Silver price and total ETF demand



Source: Thomson Reuters Datastream, Bloomberg

Historical gold / silver ratio

Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/oz)

	3-month	2012	2013	2014
Silver	30	34	-	-

Source: ABN AMRO

Liquidity and growth outlook liquidation

The brutal moves seen in September were followed by a period of relative calm in the fourth quarter of 2011, when silver prices moved in a 30-35 USD per ounce range. When the overall sentiment deteriorated in December 2011, the bottom under silver prices fell out. The silver price dropped from 32.50 to the low 27s, a decline of more than 16.5%. The main reasons for this weakness were the adjustment in the global growth outlook and a liquidity-driven liquidation of positions. From the start of 2012, silver prices were able to recover to above the former break-out level of 30 USD per ounce, but the recovery lost pace, as the overall risk sentiment deteriorated again. Our year-end forecast of 28 (27.84 close) and average of 34 for the year (35 in the end) were spot on.

Back to Neutral

Silver is the precious metal that saw position squaring of short-term investors really materialize. The Commitment of Traders report shows that non-commercial positions on COMEX have been reduced to levels not seen since 2003. The total ETF positions have been cut back somewhat but to a relatively limited extent. This means that the large liquidations seen in 2011 were mainly driven by the short-term investor community. The long-term community likely will only liquidate if other assets become more attractive. This is also the case for gold.

Silver characterizes as being a more volatile gold proxy with a larger leverage to the global growth cycle, due to the large demand from the industrial sector. With the speculative positions being liquidated to this amount and the consensus of economists being negative on the growth outlook, silver may outperform gold as soon as the economic climate improves and the eurozone debt crisis slowly but surely is resolved. What is surprising though, is that market consensus is for a higher silver price, while at the same time it is less upbeat about growth. This can only be if explained if both silver and gold rally higher in a risk averse environment and that is unlikely to happen, as we have seen in 2011.

A point of attention is the technical outlook. The long-term technical outlook just moved to Neutral and there are some signs that the picture may be changing. It is too early to jump on the silver bandwagon at this point in time though. The longer-term investor community could become nervous and decide to close partly their ETF positions. Should this happen, then a large and brutal sell-off is still in the cards. Such a sell-off would be an opportunity for a cyclical silver rally. We therefore change our rating on silver from Negative to Neutral and wait for the right moment to present itself.

Upside to the forecast:	Downside to the forecast:
- More quantitative easing	- Long-term investors abandon positions
- More optimistic global growth outlook	- Market panic
- Depreciation of USD	- Global recession

Georgette Boele (ABN AMRO Private Banking)

Precious metals | Platinum

- **Correction in platinum prices continues**
- **Vulnerable to weak demand from eurozone and Japan**
- **Chinese jewellery demand crucial to relative performance**

Historical price Platinum

Source: Thomson Reuters Datastream

Platinum / palladium ratio

Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/oz)

	3-month	2012	2013	2014
Platinum	1,350	1,500	-	-

Source: ABN AMRO

Sharp correction

In 2011, platinum prices moved for most of the year in the 1,700-1,900 range, until a sharp deterioration in risk sentiment triggered by the eurozone debt crisis and downward adjustments in the global growth outlook pushed platinum prices much lower. They moved from a high of USD 1,903 set on 22 August 2011 to a low of USD 1,346 (not seen since 2009) on 29 December 2011, a decline of more than 29%. The direction of our Q4 forecast (USD 1,455 versus real USD 1,401) and the 2011 average (USD 1,700 versus 1,721) was spot on. In the sell-off, ETF and speculative positions were liquidated. On 10 January 2012 the total outstanding ETF positions in platinum were 1.3 million, much lower than the top but still far above the 2010 positions. Speculative positions have not been cut back aggressively in terms of size either.

Outlook still grim

Recent economic data, especially from the US, were a positive surprise. Furthermore, expectations that monetary easing in China will support commodity demand from that country have supported platinum prices as well. Platinum is mainly driven by demand from the eurozone and Japan; it is used in car catalysts and demand from China, mainly jewellery demand. We expect the economic situation in the eurozone to remain weak this year and therefore demand from this side will be under pressure. Japanese demand could recover if the economic situation in the US improves further and supports demand for Japanese cars.

Chinese jewellery demand last year suffered from tightening credit conditions, but this may change once the expected monetary easing measures have been taken. China has been an eager gold importer, benefiting from the lower gold price. We were surprised by the relative weakness of platinum versus gold and palladium. Platinum was clearly less resilient than palladium in an environment of weaker economic growth in the emerging markets. Gold kept its attraction relative to platinum, also because Chinese customers preferred gold to platinum in their jewellery. The gold/platinum ratio is at extreme levels not seen since the 1980s. Stronger demand from the eurozone and Japan in a more optimistic growth environment is needed to have the gold/platinum ratio turn around.

Although the mining conditions in South Africa remain challenging, we expect a physical surplus in platinum in 2012. The situation of oversupply, weak economic prospects in the eurozone and a Chinese preference for gold will likely limit the upward potential for platinum prices. As a result, more of the ETF positions could be closed during this year, especially in the first quarter.

Upside to the forecast:	**Downside to the forecast:**
- Stronger economic situation in the eurozone	- Liquidity trap results in complete scale back of open positions
- Supply disruptions	- Regulatory overhang that makes investors nervous
- Risk seeking environment and/or USD debasement	- Global recession

Georgette Boele (ABN AMRO Private Banking)

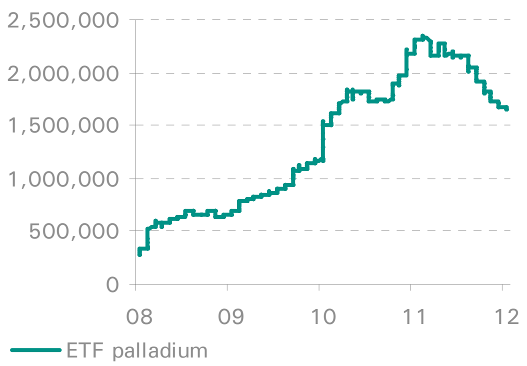
Precious metals | Palladium

- **Sharp sell-off in palladium**
- **Large exposure to the global growth cycle**
- **We upgrade palladium to Neutral from Underweight**

Historical price Palladium

Source: Thomson Reuters Datastream

ETF data



Source: Thomson Reuters Datastream

Commodity Research price forecast
(USD/oz)

	3-month	2012	2013	2014
Palladium	650	700	-	-

Source: ABN AMRO

Downside materializes

The deterioration in investor appetite and the global growth outlook had a negative impact on palladium prices. During the fourth quarter of 2012, palladium prices dropped to a low of USD 565 on 4 October 2011. This level was almost reached again on 25 November 2011. Since then palladium prices have proven to be more resilient than we would have imagined in a market that was worried about the growth prospects of emerging markets as well. Furthermore, it is the precious metals where most of the positions (ETF and speculative) have been reduced aggressively and this process is still going on. The speculative positions reported in the Commitment of Traders report (CFTC) are close to the 2008 lows and ETF positions are back on Q1 2010 levels. Palladium’s resilience since the end of November 2011 can be linked to better-than-expected US data, higher total vehicle sales in Brazil and expected monetary easing in China in order to support growth. Our China economist believes that China is on track for a soft landing and will continue its proactive fiscal and accommodative monetary policy (multiple cuts in reserve ratio requirements, but interest rates on hold).

Large exposure to the global growth cycle

Palladium is the precious metal that is the most exposed to the global growth cycle (especially the industrial cycle), having broad demand from Europe, North America, China and emerging markets. Palladium is used in car catalysts and electrical appliances, hardly in jewellery. It therefore has more characteristics of a base metal than of a precious metal. We expect US and emerging market growth to continue recovering, with a positive impact on demand for vehicles (gasoline). The prospects for palladium prices are therefore much better than for platinum. We expect palladium prices to outperform platinum prices in the first quarter and the platinum/palladium ratio to fall under pressure again.

The supply/demand balance of palladium was into surplus in 2011, mainly because of the release of Russian stocks. There is always uncertainty surrounding these Russian stocks and this will be no different this year. Mining conditions in the world’s second largest supplier South Africa remain challenging.

We expect the supply/demand balance to turn into a deficit this year. Furthermore, after the large cut-back in positions in 2011, investors may get interested again to invest in palladium, especially if growth proves to be more resilient and positive outside Europe. We therefore upgrade palladium from Underweight to Neutral.

Upside to the forecast:	Downside to the forecast:
- Stronger global economy	- Liquidity trap resulting in complete scaling-back of open positions
- Supply disruptions	- Larger-than-expected supply
- Risk seeking environment and/or USD depreciation	- Global recession

Hans van Cleef (ABN AMRO Private Banking)
Casper Burgering (ABN AMRO Sector & Commodity Research)

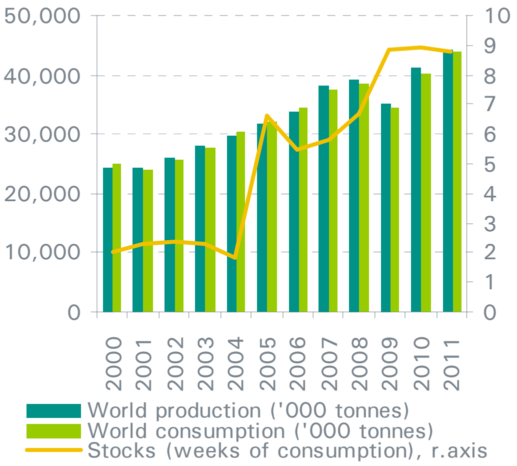
Base metals | Aluminium

- **Lower production triggered a price correction higher but downtrend is still intact**
- **It will take time before lower production will push record inventory levels down**
- **Risk of capacity closures is the highest in Europe and high cost producers will remain at risk**

Historical price Aluminium

Source: Thomson Reuters Datastream

Supply, demand & stocks



Source: Metal Bulletin

Commodity Research price forecast

	3-month	2012	2013	2014
Aluminium (USD/t)	2,100	2,250	2,550	2,750
Aluminium (USD/lb)	0.95	1.02	1.16	1.25

Source: ABN AMRO

Production cuts as prices near cost price

The downtrend that started in Q2 2011 led to significant declines in aluminium prices. As a result, many major smelters across the globe announced production cuts. We already wrote in our previous Quarterly Commodity Outlook Report that the market price is lower than the cost price. The news about the production cuts resulted in a small price recovery, but is – for the moment – nothing more than a correction within the longer term downtrend. The short term negative trend was broken and justifies a more neutral stance. The forward curve is in contango meaning that the spot price is below the forward price indicating no shortage in the market.

Q1 outlook neutral as drivers are balanced

With the longer-term downtrend still being intact, it is too soon to change the neutral outlook of the previous quarter to a more positive stance. For such a shift, the fundamental outlook must change dramatically for the better, or the resistance zone around USD 2,400 should be broken. With the LME inventories breaking higher after having been circling around record high levels for almost 2.5 years, we cannot expect a price rally on supply shortages. It will take some time before lower production will push inventory levels down. Besides a speculative impact on future developments on supply and demand, the fundamentals will therefore have limited effect in the coming quarter. We maintain our neutral outlook due to weak global economic conditions, possible waves of risk aversion based on the lingering worries about the eurozone debt crisis and rising uncertainty about future Chinese demand (based on slightly lower economic growth, deterioration in the construction sector and transition of the political leadership).

Aluminium demand on long term to remain solid

The global aluminium market will stay in surplus during 2012 and stocks are expected to remain at high level. Therefore, we have revised our 2012 price forecast down by 10%. Closure of smelters and postponing new projects are the only way to reach some producer discipline, which can bring the market back into balance. The chance of capacity reduction is the highest in Europe and we expect that eurozone production will decline in 2012, due to continued macro-economic uncertainty in this region. On a global scale, aluminium production is expected to increase in 2012 by 5-6%, with highest production growth rates in China. Demand in Europe will remain weak and we expect moderate growth in the US. In general, the outlook for aluminium consuming sectors in Asia (transport equipment, packaging, construction) remains firm, both on short and on long term, especially China. This will ensure a solid base for demand and we expect price should improve during 2013-2014. Other smelters (especially the high cost producers) remain at risk in the forecast period, however, because of high energy prices.

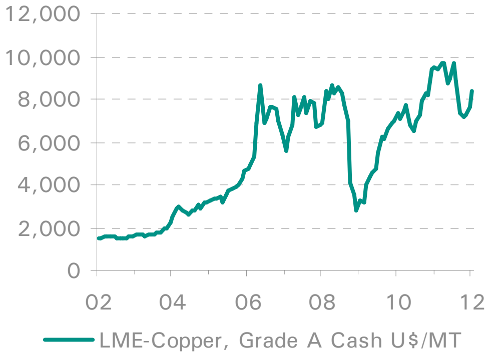
Upside to the forecast:	Downside to the forecast:
- Sentiment on the eurozone improves resulting in risk appetite	- Chinese construction continues deterioration / GDP slows to <8%
- Significant Chinese smelter cutbacks in output	- Further escalation of EU crisis
- Increase substitution demand (copper and steel)	- New projects entering the market (India, Middle East)

Hans van Cleef (ABN AMRO Private Banking)
Casper Burgering (ABN AMRO Sector & Commodity Research)

Base metals | Copper

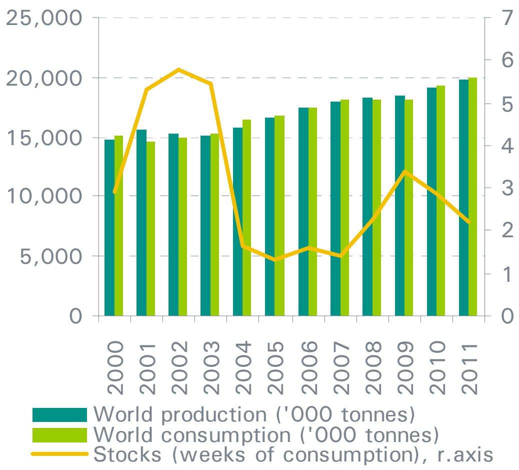
- **Copper price recovery on signs of improving sentiment; risks remain**
- **Price support may continue; eurozone debt crisis and Chinese housing sector cap upside**
- **Long-term prices stay on elevated levels, pressure from commissioning of new projects**

Historical price Copper



Source: Thomson Reuters Datastream

Supply, demand & stocks



Source: Metal Bulletin

Commodity Research price forecast

	3-month	2012	2013	2014
Copper (USD/t)	8,500	8,600	8,700	8,500
Copper (USD/lb)	3.86	3.90	3.95	3.86

Source: ABN AMRO

Chinese imports are high but housing weighs

Copper imports by China proved to be very high at the end of 2011. The fact that copper prices were relatively low and sentiment on the eurozone improved somewhat pushed prices marginally higher within the USD 7,000 – 9,000 range. Stronger US data proved supportive, but the main focus clearly remains on Chinese data releases for future demand expectations (mainly the housing and construction sector) and on eurozone debt worries for direction in sentiment. Recent CFTC data suggest that the market is positioned for lower prices already for four months. LME inventories continue to decline.

Higher prices in Q1 possible but upside still capped

Position unwinding/profit taking by money managers on the back of improved sentiment could result in a short–term, upward move. Furthermore, the risk of more strikes for a higher salary remains high, which could potentially hurt production and therefore be supportive to prices. On the other hand, as stated above, the most important driver - the Chinese housing and construction sector - forms a possible risk to future demand expectations and this could cap copper's upside potential. There is a possibility, though, that due to the transition of political leadership in 2012, spending will remain highly supported. This could support domestic economic growth. All in all, it is fair to say that the downside risks in copper prices have eased. Nevertheless, although a short-term upward move is possible, the upside potential is limited for the moment, as investors continue to focus on the eurozone debt crisis and the Chinese housing sector. We remain neutral with a positive bias for the time being and will closely monitor the market for positioning for a further recovery during H2-2012.

Price remains elevated, but softens in the long-term

Fundamentals will provide some leverage for the price this year, but macro-economic uncertainty will continue to have a high influence on market developments. Especially economic developments in the eurozone, China and the US are important to monitor. Construction activity in the Western EU remains at low levels in 2012, mainly due to continuing (macro-economic) uncertainty. Demand for copper in this region will decline strongly, while demand levels in the Eastern part of the EU are likely to remain firm. The US is expected to register reasonable growth in 2012 and copper demand will grow therefore moderately. Our short term copper demand outlook for Asia remains buoyant, especially in China. Therefore, in the near term we expect prices to remain at elevated levels. Although risks have increased, long term construction activity in China is expected to remain at solid levels. The increasing contribution from new projects on refined production over the course of 2013 and further should push copper supply into surplus. With strong supply-side increases and higher risks on the demand-side, we forecast that copper price will soften during 2014.

Upside to the forecast:	Downside to the forecast:
- A solution for EU debt issues	- Risk aversion / need for liquidity increases
- Chinese economy performs more strongly than forecast	- Further escalation of EU crisis and/or 'cool off' Chinese economy
- Recovery in construction sectors (US, EU)	- Funds scaling back their interest in copper as an asset class

Hans van Cleef (ABN AMRO Private Banking)
Casper Burgering (ABN AMRO Sector & Commodity Research)

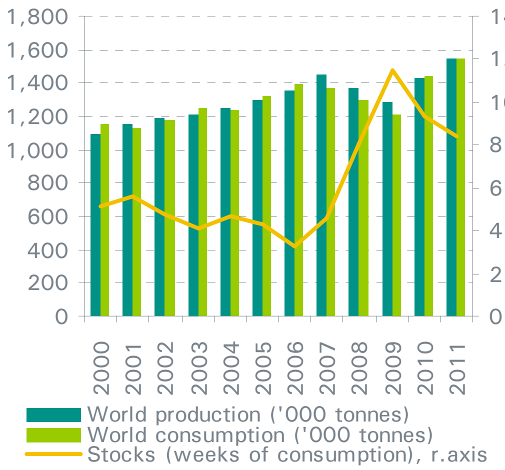
Base metals | Nickel

- **Downtrend is still intact and forward curve normalized**
- **Weak demand is expected for Q1 and with inventories being high, sideways trading is likely**
- **We are less confident about long-term fundamental developments**

Historical price Nickel

Source: Thomson Reuters Datastream

Supply, demand & stocks



Source: Metal Bulletin

Commodity Research price forecast

	3-month	2012	2013	2014
Nickel (USD/t)	20,000	20,500	19,000	18,500
Nickel (USD/lb)	9.07	9.30	8.62	8.39

Source: ABN AMRO

Nickel is the only base metal still in a downtrend

Nickel is the only base metal of which the downtrend, which started mid-2011, is still intact. This is confirmed by the fact that the copper/nickel ratio is still in an uptrend, indicating that copper has relatively outperformed nickel, whereas nickel ratios against aluminium and zinc are moving sideways. The nickel forward curve showed some normalisation over the previous weeks, going from neutral to contango (spot prices below forward prices). This indicates that the pressure from near-term inventories eased as the basis (cash price – futures price) turned negative.

Weak demand and high inventories in first quarter

LME inventories were in a downtrend for most of 2011 until last December. A small inventory build-up could even be reported at the start of this year. Chinese inventories were high, due to the higher domestic output in combination with strong imports. Chinese demand is expected to remain weak in the next quarter, based on two arguments: 1) stainless steel producers reported a production cut in reaction to the current low prices, and 2) the metal will be less used as collateral for short-term loans, to be sold later on the domestic market or stored for future loans. Lower demand in combination with high inventories will provide no support for nickel prices. Any upside will therefore only occur if investor sentiment improves and this depends on the Chinese economic growth outlook, strong US data and/or an improvement in eurozone sentiment. This precondition is hardly likely to be fulfilled in the coming weeks, so we therefore maintain our neutral stance with a slightly negative bias.

Long-term nickel prices to ease, but will remain high

Nickel supply will rise during 2012, as a number of key projects are currently in the commissioning stage. Nickel consumption is expected to also increase during 2012, but not as strongly as supply. The market will be in surplus (between 2-3% of consumption) this year and this will ultimately have a downward impact on nickel prices. The eurozone debt crisis and slowing economic growth in China will also keep the nickel market depressed this year. Given the weak outlook for consumer confidence and spending, demand for consumer durables (domestic appliances and white goods) will also decrease. We have revised our 2012 forecast price downward by USD 1,000/t (=5%). We are also less confident about long-term fundamental outlook for the global nickel market in 2013-2014. Although end user demand is anticipated to increase steadily over the long term (especially in the BRIC-countries), the prospect of looming nickel oversupply will put downward pressure on prices. If we assume that new projects will become operational according to their current time schedule, nickel prices may drop to around USD 18,500/t in 2014. This is certainly a threat to more marginal operations.

Upside to the forecast:	Downside to the forecast:
- Stainless steel expansions exceeding current expectations	- Funds scaling back their interest in nickel as an sub asset class
- Supply disruptions and delays in pipeline projects	- Further escalation of EU crisis and/or ‘cool off’ Chinese economy
- Increase in Chinese imports due to ETF demand	- Substitution by stainless steel with lower nickel content

Hans van Cleef (ABN AMRO Private Banking)
Casper Burgering (ABN AMRO Sector & Commodity Research)

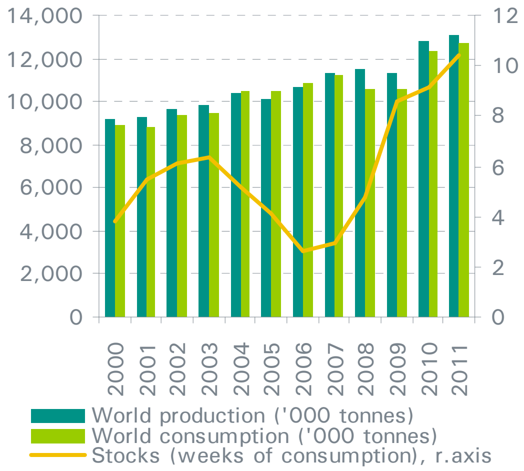
Base metals | Zinc

- **Zinc traded sideways, market sentiment only having limited impact**
- **Neutral view maintained, but a recovery could start as soon as fundamentals turn for the better**
- **In 2013 and 2014, we expect tighter market conditions, supporting prices**

Historical price Zinc

Source: Thomson Reuters Datastream

Supply, demand & stocks



Source: Metal Bulletin

Commodity Research price forecast

	3-month	2012	2013	2014
Zinc (USD/t)	2,000	2,350	2,500	2,650
Zinc (USD/lb)	0.91	1.07	1.13	1.20

Source: ABN AMRO

Less sensitive to market sentiment

Last quarter, zinc prices moved sideways within a relatively small range, compared to the volatile swings in the years before. It seems that zinc is less sensitive to market sentiment than the other base metals. The short-term downtrend may be broken to the upside; it is still neutral at best. A remarkable move showed in the London Metal Exchange (LME) zinc inventories in December. After having declined significantly in the August – November period, inventories recovered 50% in December. Up to mid-January, stocks remained roughly even. The forward curve is showing a normal pattern with contango (spot price < forward) up to the end of 2013.

Positioned for recovery after the crisis

Due to the fact that the zinc market is largely driven by the construction sector, the weak economic conditions continue to weigh on prices. Should the Chinese housing and construction sector also get hurt, prices could decline further. The impact of such a development should not be exaggerated, however, as the Chinese will cut production in such a way, as in 2011, output develops in line with demand. Market speculation about slower or flattening demand in the automotive sector in the coming years may already have an impact in the near term, as soon as the first signals show. Although zinc may be less sensitive to market sentiment, developments in China and the eurozone will remain important drivers and lead to short-term, increased volatility. We maintain our neutral view for the coming quarter but keep a close eye on the markets for a possible recovery after the crisis, when demand (expectations) starts to pick up.

Leading indicators look encouraging

The zinc market remains oversupplied in 2012, for the sixth consecutive year. The good news is, however, that the level of oversupply will be significantly lower than in previous years, because we expect consumption to grow at a much faster pace than refined zinc output. In the end, the excess output will be only 1% of total production (in comparison to an average oversupply of 5.3% in the period 2008-2011). Demand conditions in China and the US will improve sharply. The latest developments in producer sentiment in the US and China are also very encouraging. Leading sentiment indicators in both countries posted an increase in December. Demand for zinc in the EU is expected to decline further in 2012. Ongoing weakness in the EU construction sector will continue to damage zinc demand in this region. On the other hand, the outlook for automobile sectors seems somewhat brighter. Demand from China is expected to remain robust. In 2013 and 2014, we expect some tighter market conditions, which will support prices. Emerging market demand and the construction sectors in this region will be the key drivers in this respect. Higher prices may, however, encourage the commissioning of new production (or mothballed) capacity, subsequently leading refined markets into surplus again.

Upside to the forecast:	Downside to the forecast:
- Demand recovery in major zinc-consuming countries	- Sharper weakening of Chinese housing/construction sector
- Rising galvanised sheet use in China	- Substitution of zinc with aluminium in e.g. automotive die-casting
- Increasing raw materials prices and labour costs	- Funds cutting their interest if other investments become attractive

Casper Burgering (ABN AMRO Sector & Commodity Research)

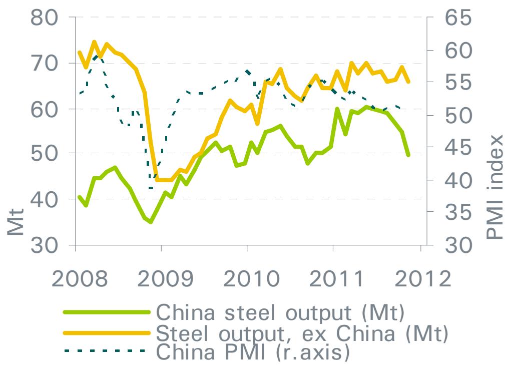
Ferrous metals | Steel (global HRC)

- **Demand weakened in practically all the regions of the world and buyers of steel postponed orders**
- **Short term macro-economic outlook is not favourable and this keeps steel market sentiment weak**
- **Despite the economic downturn, upstream investments remain high on the agenda**

Historical price Steel

Source: Thomson Reuters Datastream

Crude steel production and China PMI *(per month)*



Source: IISI, Thomson Reuters Datastream

Commodity Research price forecast *(USD/t)*

	3-month	2012	2013	2014
Steel (HRC, global)	630	650	620	605

Source: ABN AMRO

Weaker demand and lower steel prices

Steel market conditions deteriorated further last quarter on a global scale. Steel mills witnessed continued pressure on prices and in all regions prices declined. In the EU steel price declined fastest by 33% from their peak from March 2011, followed by a decline of 27% in Russia/CIS. Long term macro-economic uncertainty is most probably the most important cause. Demand weakened in practically all the regions of the world and buyers of steel (both traders and steel end-users) are less reluctant to hold on to high volumes of stocks. Due to increased uncertainty on long term developments of macro-economics, they postponed new orders and have a wait-and-see attitude. The slowdown in demand is the result the sovereign debt crisis in the European economy and a slowdown in China. For the last six months in 2011 (until November), Chinese steel output is in a downward trend. This might seem as harmless, but we have not witnessed such a long period of decline in output in China since the beginning of the previous crisis in 2008.

Headwinds persist, which will soften steel demand

The cuts in steel output in China may turn out to be supportive to the steel price; the pace of the price decline slowed. Nevertheless, the short macro-economic outlook is not favourable and this keeps market sentiment weak. This will weighs heavily on the global steel sector. Especially in the EU region, were demand for steel is not expected to recover very quickly. Low consumer confidence in this region will keep activity in automobile and construction sectors down. On the other hand, EU export markets could improve again on the back of a further weakening of the euro against the dollar. In China and the US, conditions are relatively stable and prospects for steel mills are more positive. Although regional differences remain, we expect that the global steel price will soften further for the next three months, due to higher risks on the demand-side.

Uncertainty and more volatility

Overcapacity is a structural problem in the global steel industry. But the current economic downturn could turn out to be beneficial for the sector. This is the moment for steel mills to restructure, bring forward maintenance programs and even bring excess capacity down. It will improve cost efficiency (and thus profitable) and it rebalances the market. Volatility in prices for raw materials increased significantly, however, because of the changes in raw material pricing systems. In response, an increasing number of steel mills have implemented price risk management in order to be less exposed to the increased price volatility. Despite the economic downturn, investments remain high on the agenda. Steel mills have an increased interest in upstream integration; captive (raw materials) production decreases the exposure to persistent price volatility. We expect that investment activity by steel mills in both domestic and overseas mining projects will increase further in coming years. We expect price to remain relatively strong in the forecast period.

Upside to the forecast:	Downside to the forecast:
- Strong steel demand from key sectors in EU, US	- Strong decline in construction activity in China
- Permanent shut-down of Chinese capacity (small mills)	- Escalation of EU crisis and/or strong 'cool off' Chinese economy
	- Continued oversupply of steel and limited producer discipline

Casper Burgering (ABN AMRO Sector & Commodity Research)

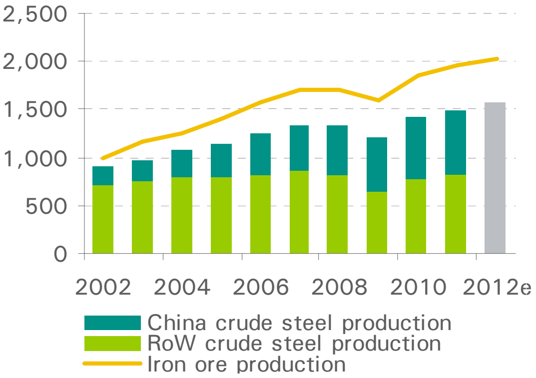
Ferrous metals | Iron ore (fines)

- **'Wet season' in Australia hampers loading of iron ore**
- **Enough support for stable prices in the coming three months**
- **Despite concerns about oversupply, iron ore demand will remain stable on the long term**

Historical price Iron ore (fines)

Source: Thomson Reuters Datastream

World iron ore & steel production per year
('000 tonnes)



Source: IISI, UNCTAD, ABN AMRO

Commodity Research price forecast
(USD/t)

	3-month	2012	2013	2014
Iron ore (fines)	152	148	135	127

Source: ABN AMRO

Iron ore price declined on weak demand

Iron ore price tumbled almost 23% since its peak level of September 2011. Currently, prices move in the range of USD 140-145/t. The strong decline in prices makes buyers and physical traders in iron ore reluctant to order new material. They seem to be waiting for even lower prices, but weak demand is the main reason for price decline. There are also problems on the supply-side. The so-called 'wet season' in Australia (from December-February), has forced some producers to suspend loading of iron ore. Also, Brazilian Vale declared *force majeure* on output from some of its iron ore mines, due to flooding. However, these worldwide problems with supply have limited effect on prices. In historical perspective iron ore price remained on high level.

India raises export duties, short term prices stay firm

On the short term, ore demand remains subdued and there is abundant supply. Steel demand in practically all the regions in the world is weak and this is not expected to change soon. There are worries in the iron ore market over Chinese steel output. Chinese steel production has been in a downtrend over the last 6 months and declined by 1% y-o-y in November. However, we expect that prior to the festive season (1 week, staring on the 23rd of January), steel producers anticipate by increasing steel output and stock building in December and January, in order to be able to meet steel demand. Besides that, the Chinese government announced some easing in monetary policies, which will ease credit restrictions and boost liquidity. In theory, this should be positive for metals demand. Also, India (world's third largest supplier) announced an increase of export duties, which reduces international iron ore availability. In short, there is enough support for stable prices and we expect prices to stay firm for coming three months.

Long term price will soften slowly

Capacity is expected to increase significantly on the long term. With many new projects in the pipeline, overcapacity is looming. But many expansion plans are considered to be 'flexible', meaning that whenever market conditions are not favourable, new projects can be postponed. Despite concerns about oversupply, many market participants seem confident that iron ore demand will remain stable. Therefore, we expect that prices will stay relatively high in historic perspective, but will ease during the forecast period. A weak steel market caused Chinese mills to withdraw from the spot market, although we think this is only temporarily. China will remain an important consumer of iron ore and is expected to continue to source high volumes of the steel making raw materials in the forecast period. Quality issues and the high costs of domestic production, in combination with the planned construction and infrastructure projects mentioned in the 12th Five Year Plan, support this view. However, high costs of production are a millstone around the neck of many Chinese iron ore miners and they are very vulnerable to volatile and low prices.

Upside to the forecast:	Downside to the forecast:
- Infrastructural problems, unfavourable weather conditions	- Strong decline steel demand by end users (e.g. construction China)
- Strong increase in (real) iron ore demand	- Escalation of EU crisis and/or strong 'cool off' Chinese economy
- Expansion of government policies limiting total exports	- Shut-down of steel capacity (small mills in China)

Casper Burgering (ABN AMRO Sector & Commodity Research)

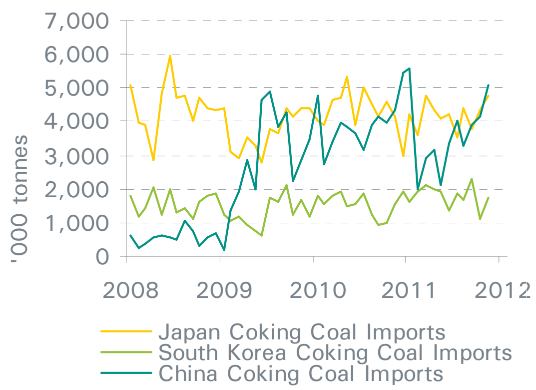
Ferrous metals | Hard coking coal

- **Until November, South Korea increased its coking coal import volume by 18.4%**
- **Buyers of coking coal have become less active and are wary for future price declines**
- **Supply disruptions due to weather conditions in Australia keeps the market tight**

Historical price Hard coking coal

Source: Metal Bulletin, Thomson Reuters Datastream

Regional hard coking coal import



Source: Clarksons SIN

Commodity Research price forecast
(USD/t)

	3-month	2012	2013	2014
Hard coking coal	225	236	228	219

Source: ABN AMRO

Import volume into China reaches record levels

Despite the fact that Chinese coking coal import reached its 2011 record level, imported volumes until November were down 5.2% in comparison to the same period in 2010. The record level of 5.1 million tonnes was reached on the back of the decrease in international coking coal prices. Chinese steel production increased by 10% until November, and this means that China sourced the majority of its coking coal domestically. Mongolia is still the biggest supplier to China, with a share of almost 45% in total import volume. Japan also decreased its coking coal imports in this period by 5.7%, while South Korea increased its volume by 18.4%. South Korea is a net importer of coking coal. Therefore any increase in domestic steel production is accompanied by an increase in imported coking coal. South Korea steel production grew by an impressive 18% y-o-y until November, the highest growth rate in 2011 of all steel producing countries.

Short-term coking coal prices will stay firm

Hard coking coal prices have been decreasing since the 2011 high in April (of USD 320/t) and have lost almost 34% until now. This is mainly due to a slowdown in steel markets worldwide. We have therefore cut our short-term price outlook. Demand conditions for Japan's steel industry remain weak and from the latest data we also see further weakening in China's steel production. South Korea is the odd one out. Given the strong growth of South Korean steel production last year and the positive outlook for steel demand, import volume of coking coal will stay on high level. Today, buyers of coking coal have become less active and they are wary for high stocks with current price declines. However, price shocks due to supply disruptions are common. The first quarter can be characterized by severe mining conditions for major coking coal mining regions. From December until February, Australia's Queensland normally witnesses heavy weather conditions. This period has the highest rainfall, and sees the occasional tropical cyclones. If the 'wet season' has the same impact as it did in January 2011, the coking coal market will become tight again.

Long-term prices softens, but high levels remain

Domestic Chinese supply of coking coal will encounter further difficulties due to the closure of many small (because of unsafe and environmentally unfriendly) coking coal mines and the high domestic coal price. On the long term, ongoing industrialisation, urbanisation and economic development of China will provide a solid base for steel demand and for steel making raw materials, such as coking coal. Therefore, China will continue to play an increasing role in the international coking coal market. Price remains an important criterion. At high prices, new mining projects are being developed and will enter the international coal market in the long term. We expect that, in the current tight market conditions, this will bring some relieve on the S/D-balance. Therefore, we assume that in 2012-2014 international coking coal prices will soften.

Upside to the forecast:	Downside to the forecast:
- Supply problems (due to weather) in major coal supplying countries	- Strong decline steel demand by end users (e.g. construction China)
- Other coal supply difficulties (strikes, export limits, etc.)	- Escalation of EU crisis and/or strong 'cool off' Chinese economy
- Governments' coal stockpiling strategies	- Steel mills switching to (cheaper) alternatives (PCI)

Thijs Pons (ABN AMRO Sector & Commodity Research)

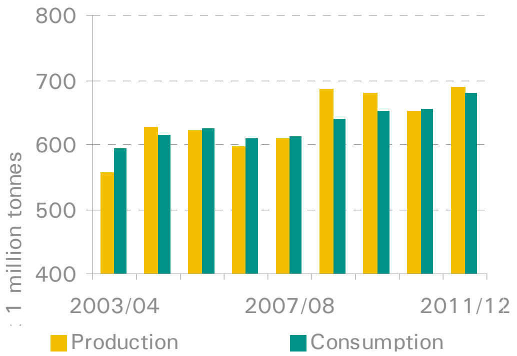
Agriculturals | Wheat

- **Production to increase to record highs in 2011/2012**
- **Demand remains firm given tight corn market supply**
- **Wheat market is well-balanced**

Historical price Wheat

Source: Thomson Reuters Datastream

Wheat production and consumption



Source: IGC

Commodity Research price forecast
(Cts/bu)

	3-month	2012	2013	2014
Wheat	550	525	-	-

Source: ABN AMRO

Russia and Black Sea region back on export market

In 2010/2011, global wheat production decreased by 3.8% to 652.6 million tonnes. A severe drought slashed yields in the CIS. This year, the global wheat production is likely to recover and may reach a record high of 689.8 million tonnes. The increased production is the result of the 1.4% rise in production area worldwide and the above-average yields due to good weather conditions. Analysts forecast a production increase in Russia of 35% to 56.2 million tonnes, 33% to 22.4 million tonnes in the Ukraine and 100% to 20.0 million tonnes in Kazakhstan. They expect yields in Russia above the five-year average. US production, on the other hand, is declining to 54.4 million tonnes due to decreasing planting areas and declining yields. Production in the Southern Hemisphere will decline by 1.7%. Recently harvested crops were better than expected 3 months before. The global wheat market is amply supplied. In 2010/2011, wheat demand remained firm despite the high prices. Wheat consumption increased by 0.6% to 655.9 million tonnes. Carry-over stocks declined by 3.3 million tonnes to 195.3 million tonnes, equal to 109 days' consumption. Wheat prices were high last year due to the production deficit, declining global stocks and the Russian export ban. This ban was lifted on July 1st 2011 and Russia returned to the wheat export market. In Q4 2011, wheat prices declined due to wide availability on the export market.

Corn will support wheat prices

In 2011/2012, global wheat consumption will increase. Global demand for food will grow modestly, fuelled by a growing population, urbanisation and improving prosperity. The use of wheat for animal feed will grow given the large global availability of low/medium grade wheat, the tight market supply of corn, and the increasing demand for livestock feed. The use of wheat in animal feed is at the highest level in 21 years. Industrial use of wheat will increase due to the increasing use of starch and renewable energy. Sustained fears about the global economy could decrease global wheat consumption. The production area worldwide is forecast to increase 1.7% to 224.8 million hectares this year. Most of the increase will be in Russia, the US and Canada. Longer term, production in Russia will increase due to the availability of arable land, higher use of for example fertilizers and herbicides, and improved seed. Reviewing the supply/demand ratio, global wheat stocks will increase to a near-record at the end of the 2011/2012 season. China holds about 30% of worldwide wheat stocks, which are not free available on the world market. The market is well-balanced. In the fourth quarter of 2011 and the first half of 2012, the corn market will support wheat prices. Wheat remains an attractive alternative animal feed. Prices will decrease given the growing confidence that global wheat supply will be ample in 2011/2012.

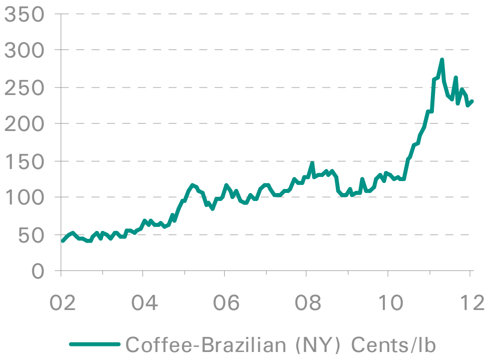
Upside to the forecast:	Downside to the forecast:
- Production risks due to adverse weather in production areas	- Impact of a slowing global economy
- Strong demand for wheat-based animal feed	- Export competition of lower cost wheat from the Black Sea region

Thijs Pons (ABN AMRO Sector & Commodity Research)

Agriculturals | Coffee

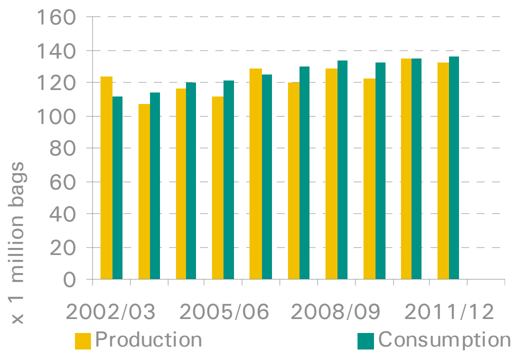
- **Strong production growth in 2010/2011**
- **Consumption in exporting countries and emerging markets remains buoyant**
- **Market volatility to remain high in 2012**

Historical price Coffee



Source: Thomson Reuters Datastream

Coffee: production and consumption



Source: ICO

Commodity Research price forecast
(Cts/lb)

	3-month	2012	2013	2014
Coffee	230	210	-	-

Source: ABN AMRO

Steady consumption growth in 2010/2011

Trade consensus for 2010/2011 global coffee production totalled 142.5 million 60kg bags, contrasting sharply with the ICO figure of 134.2 million bags. All sources reported substantial increases, largely due to good weather, production cycles and improving farm husbandry and a greater use of fertilizers. Production increased in almost all the main producing countries, except for Indonesia, which suffered from excessive rainfall at critical times in the crop development. The increase in global production is largely attributable to the increase of Arabica whilst Robusta production growth remains close to flat. In 2010/2011, global coffee consumption increased by 2.4%. In recent years, coffee consumption's annual growth rate amounted to 2.25% on a global basis. This global consumption growth is mainly attributable to increasing consumption in exporting countries, particularly Brazil, and in South East Asia, as well as in other emerging markets. Coffee consumption in traditional importing countries is growing slowly. Global stocks were able to recover during the year but remain at the lower end of the recent range.

Tight market situation favour firm prices in H1 2012

In 2011/2012, the global production forecast stands at 132.4 million bags, a decrease of 1.3% based on ICO data. Unfavourable weather conditions will bring production levels back after the bumper crop in 2010/2011. Brazililian crop-forecasting agency CONAB sees production declining by 9.6% to 43.5 million bags. This crop year is an off year in the biennial Arabica production cycle, while next season is a year of high production. For crop year 2012/2013 CONAB recently estimated production at 50.6 million bags, falling short of wider trade estimates of between 52 million bags and 58 million bags. Of the other leading coffee countries, Vietnam's production will rise by in excess of 10%, while Colombia and Indonesia should experience modest production growth. The 2011/2012 production decrease will be in Arabicas, mainly due to the Brazilian off-cycle. Despite the resilience of coffee prices, global consumption will remain buoyant, with the most significant increase in exporting countries, followed by emerging markets. Consumption growth in traditional markets will be weak due to economic developments and greater market saturation. Long term, it will be difficult to maintain a 2.5% growth rate, but in this decade demand prospects remain promising given the arrival of new consumers in emerging markets and exporting countries. The 2011/2012 production and consumption forecasts point to a supply deficit; global stocks will decline. The stocks-to-use ratio is at the lowest level on record. In H1 2012, coffee prices will remain at high levels, given the tight market undertone. Prices are expected to come under pressure in H2 2012 due to oversupply in 2012/2013. Coffee prices will be volatile given fears about the wider economic outlook and the tight market fundamentals.

Upside to the forecast:	Downside to the forecast:
- Coffee production's sensitivity to weather conditions	- Downturn in the global economy
- Diminished stocks of Arabica	- Speculation about expected production in 2011/2012 and upcoming Brazilian 'on-year'
- Fund net short position	- In the long term, increasing global oversupply and rising stocks

Thijs Pons (ABN AMRO Sector & Commodity Research)

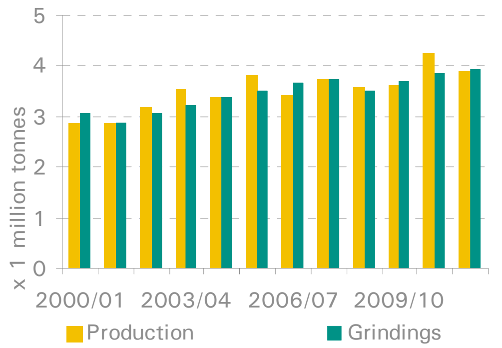
Agriculturals | Cocoa

- **Global production increased 17% in 2010/2011**
- **Historically large market surplus in 2010/2011**
- **Short-term prices will gradually increase on market fundamentals**

Historical price Cocoa

Source: Thomson Reuters Datastream

Cocoa beans production and consumption



Source: ICCO

Commodity Research price forecast
(USD/t)

	3-month	2012	2013	2014
Cocoa	2,400	2,500	-	-

Source: ABN AMRO

New record in global production in 2010/2011

In 2010/2011, global cocoa production increased 17% to 4.250 million tonnes (source: ICCO), with bumper crops in West Africa and Brazil. Production growth was largely the result of excellent weather conditions across the West African cocoa belt, improving farm husbandry, the increased use of fertilizers, more effective disease control and new farms with high-yield trees. Production increased in almost all the main producing countries, except for Indonesia, which has suffered bad weather conditions and disease problems. The Ivory Coast and Ghana's combined production amounted to almost 60% of global output – despite the political crisis in Ivory Coast. Ghana's increased output was due to its own bumper crop and to alleged cocoa smuggling from Ivory Coast. Prices paid at the farm gate were higher in Ghana than in Ivory Coast. In 2009/2010, grindings increased strongly due to recovering demand and re-stocking. In 2010/2011, global grindings increased by 4% to 3.867 million tonnes, with 40.3% of world grindings being processed at origin. The production surplus of 341,000 tonnes - the greatest surplus in over 50 years - brings the end-of-season stocks to 1,834,000 tonnes, equivalent to 47.4% of total world grindings. The political crisis in Ivory Coast, the resulting 3-month export ban from Ivorian ports to the EU and production surpluses were all factors that influenced cocoa prices in 2010/2011.

Cocoa prices appear set and steady in Q1 2012

We expect production to decline In 2011/2012 in the most important producing countries due to the weakening of the La Niña weather phenomenon; global production is forecast to decline by 8.7% to 3.88 million tonnes. Output in Ghana will also decrease, due to less cross border movement of Ivorian beans. Long-term global supply will improve as a result of investments in new high-yielding trees in a number of producing countries. Ivory Coast announced a reform of the cocoa sector, proposing government control on the supply side and guaranteed farm prices. This will support the cocoa output. Cocoa grindings (3.94 million tonnes globally) are expected to grow by 1.9% in 2011/2012, due to strong demand for cocoa powder in emerging markets and flat chocolate consumption in developed economies. There is a long-term trend of increasing grindings in cocoa bean-producing countries. Local processing of cocoa beans will increase in 2011/2012 due to the recovery of grindings in Ivory Coast. New processing plants and the continued export tax on cocoa beans in Indonesia are also a supportive factor. 2011/2012 crop and grindings forecasts point to a supply deficit; the stocks-to-grindings ratio is to remain healthy. In Q1 2012, prices are set to gradually increase on market fundamentals, a supply deficit and concern about adverse weather conditions.

Upside to the forecast:	Downside to the forecast:
- Early season weather conditions have been less favourable than last year during the crucial development phase. Mid crop concerns currently linger over the lengthy and dry Hamattan wind	- Downturn in the global economy and continued poor economic growth prospects for 2012 reinforce concern about slowing demand prospects
- Uncertainty about government stability and the infrastructure set-up in Ivory Coast	- Increasing production and improved quality thanks to government led sustainability programmes

Sien Tennekes (ABN AMRO Sector & Commodity Research)

Agriculturals | Sugar

- **Shortfalls in Brazil counterbalanced by increase in production other main producers**
- **Global sugar consumption is growing**
- **Sugar prices expected to decline as stocks are increasing**

Declining sugar prices

Disappointing crops in 2008/2009 and 2009/2010 led to substantial market deficits. Sugar prices rose due to global sugar stocks falling to a historically low level. Thanks to higher production in Brazil, India, Pakistan and Thailand, global supply just exceeded demand in 2010/2011. This did not lead to a substantial increase in the low global sugar stocks, however, leaving the sugar market sensitive to shocks. The weak global economy and the high sugar prices led to a below average global consumption growth in 2008/2099 and 2009/2010. In 2010/2011 the consumption growth was also relatively low with only 0,8%, due to a decline in consumption in Europe and the US and slowing growth in emerging countries. At the beginning of the fourth quarter last year, sugar prices started to rise following to cuts in output estimates in Brazil and severe floods in Thailand. At the end of October prices dropped on easing concerns about top producer Brazil and due to higher-than-expected supplies from the northern hemisphere. The decision from India to allow for an extra 1.0 million tonnes for export and the rich harvest in Thailand contributed to further declining sugar prices.

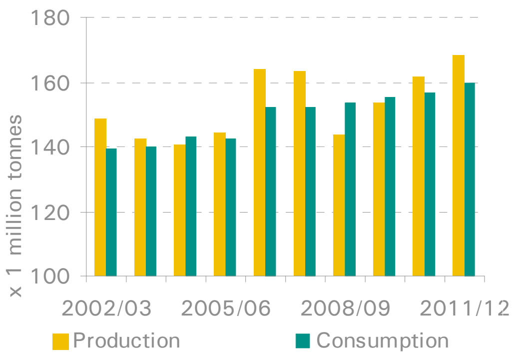
From deficit to surplus

Supply responses, notably from Russia, the EU, India, Pakistan and Thailand as well as demand rationing, have more than offset declines in Brazilian output, with supply/demand balance swinging back to a surplus, estimated at 8.2 MTRV by the USDA for 2011/2012. Production is expected to increase 4.2% to 168.2 MTRV. The economic crisis saw the impact of the limited cane renewal in Centre South Brazil, the world's largest producing region. Also due to poor weather the 2010/2011 crush fell short of the early season forecast. It was the first time in a decade that the Centre South Brazilian cane production shrank. High world sugar prices and easing global energy prices saw mills trying to maximize their sugar production at the expense of ethanol. Cane body UNICA reported sugar output fell with 6.9%, whilst ethanol production declined 19% compared to the previous year. Brazil's state development bank (BNDES) made BRL 4 billion (USD 2.2 billion) in loans available to sugar cane producers this year, so they could speed up the renewal of ageing plantations. Early season estimates by UNICA for the forthcoming crush starting in April are an increase of around 5% on 2010/2011 crush. Consumption growth of 2.0% is close to the long-term trend and a steep recovery from the past 3 years. The growth rate in 2009/2010 and 2010/2011 was substantially lower with respectively 1.2% and 0.8%. On the long term, global consumption growth will be fuelled by the growing world population, ongoing urbanisation, economic growth and the expanding processed food and beverage sector. The transition from deficit to surplus in the coming months will, we believe, be characterized by the occasional price shock on possible weather-related supply issues and ongoing turbulence in the financial markets. It remains to be seen how much of this new surplus sugar will be available to the world market and how much of it will be used to rebuild depleted domestic stocks.

Historical price Sugar

Source: Thomson Reuters Datastream

Sugar production and consumption



Source: USDA

Commodity Research price forecast

(Cts/lb)

	3-month	2012	2013	2013
Sugar	22.50	21	-	-

Source: ABN AMRO

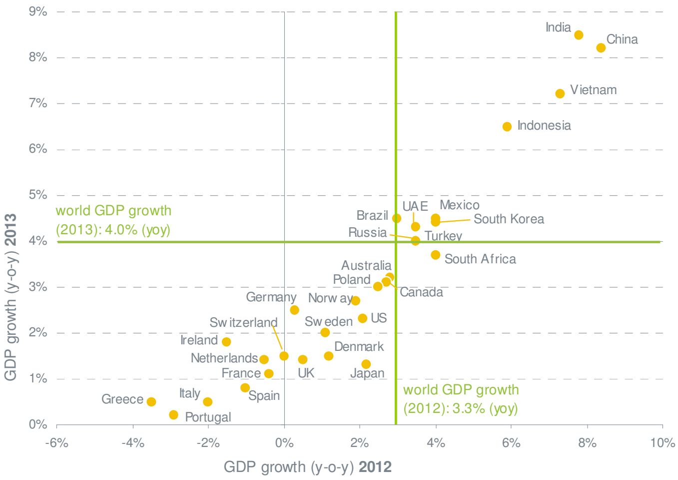
Upside to the forecast:	Downside to the forecast:
- Weather-related production risks in big production areas	- Larger supplies than expected
- Increasing demand for ethanol in Brazil	- Lower oil price
- Increasing import from China	- Lower demand for ethanol

Macro-economic data | Leading indicators supporting commodity price forecasts

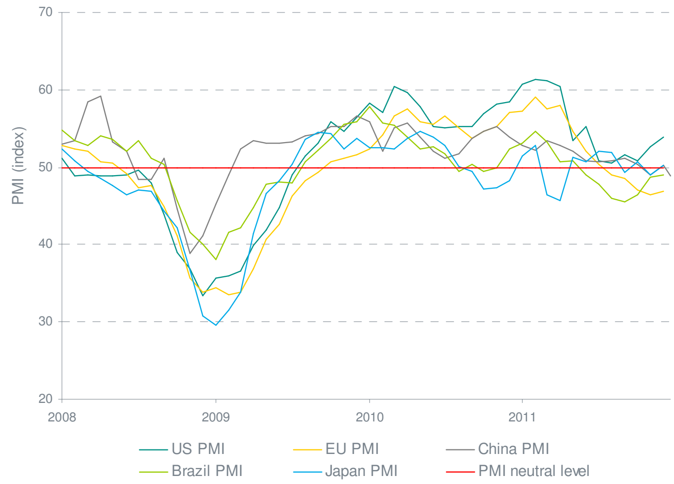
Macro-economic forecasts ABN AMRO Group Economics | Macro and Emerging Markets Research:

	GDP growth (% y-o-y)				Inflation (CPI, % y-o-y avg)				GDP per cap USD
	2010	2011e	2012e	2013e	2010	2011e	2012e	2013e	2010
US	3.0%	1.7%	2.1%	2.3%	1.7%	3.2%	1.7%	1.6%	46,860
China	10.4%	9.3%	8.4%	8.2%	3.2%	5.6%	4.5%	4.9%	7,544
Japan	4.5%	-0.7%	2.2%	1.3%	-0.7%	-0.3%	-0.3%	0.2%	33,885
EU	1.8%	1.5%	-0.8%	1.4%	1.6%	2.7%	1.6%	1.1%	30,455
UK	1.8%	0.9%	0.5%	1.4%	3.3%	4.5%	2.3%	1.5%	35,059
Germany	3.6%	3.0%	0.3%	2.5%	1.1%	2.3%	1.5%	1.6%	36,081
World	**5.1%**	**3.7%**	**3.3%**	**4.0%**	**3.6%**	**4.6%**	**3.5%**	**3.4%**	**10,922**

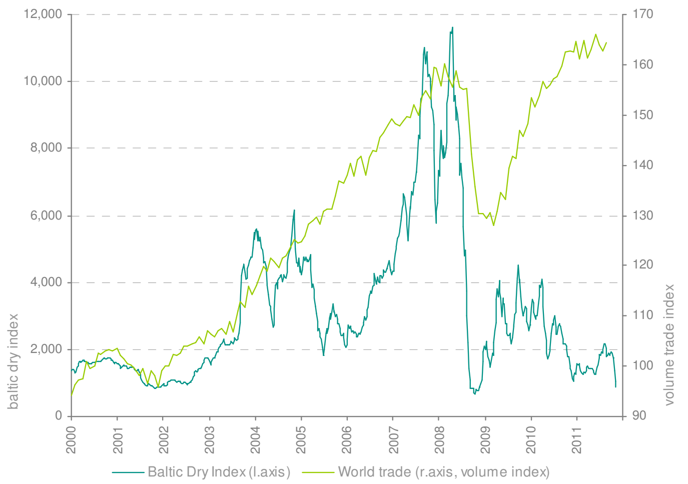
GDP forecast developed and developing countries



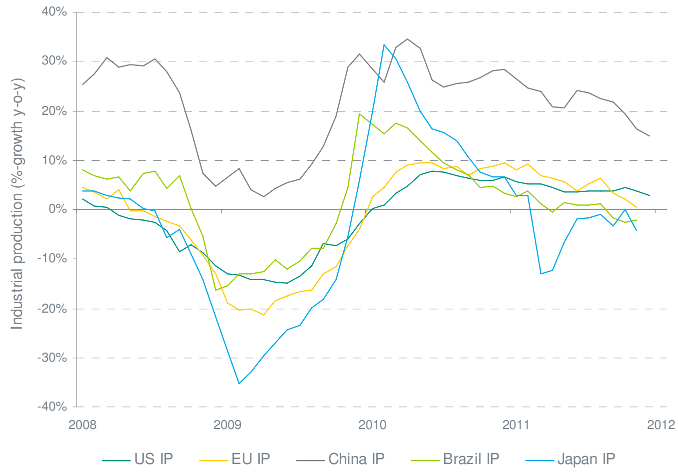
Regional manufacturing PMI



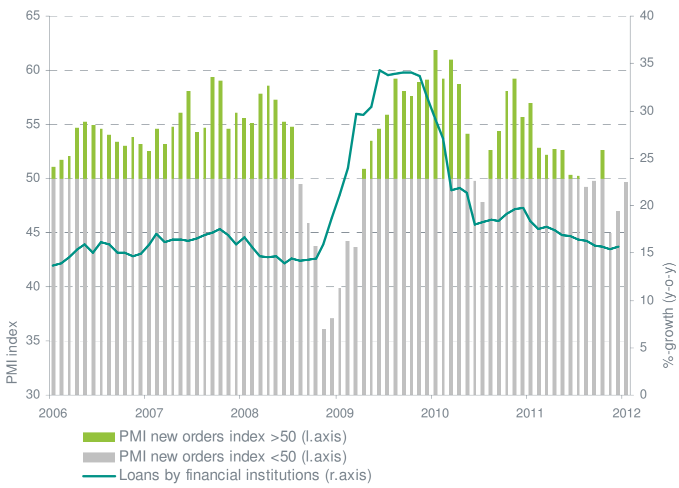
Baltic Dry Index and World trade volume



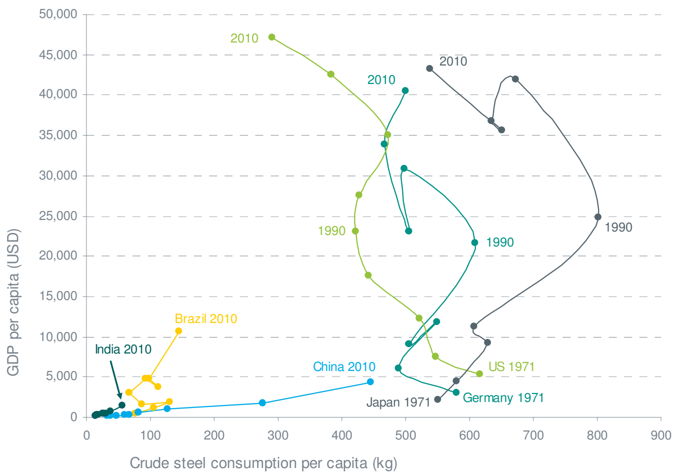
Industrial production



China: loans by financial institutions and PMI new orders



Crude steel demand and GDP per capita per country



Consulted sources for this publication: Economic forecasts, insights and publications from ABN AMRO | Group Economics, Brookhunt, Metal Bulletin, CRU, Commodities Now, Mining Journal, Coaltrans, Bloomberg, IISI, ISSB, NBS, IGC, IEA, Energy Intelligence, ICCO, ICO, USDA, China Mining, Clarkson Research Services, ABARE, AME, Thomson Reuters Datastream, World bank

Contributors

Commodity Research is a joint venture between ABN AMRO Group Economics | Sector & Commodity Research and ABN AMRO Strategy & Research Private Banking. Analysts are part of a larger ABN AMRO Research Group, with 60 experts worldwide who are based in Amsterdam, Geneva, Zurich, Frankfurt, Paris, Singapore and Hong Kong.

Research & Strategy Private Banking:

Contact information ABN AMRO | Research & Strategy Private Banking:			
	Primary area of expertise:	Phone:	E-mail:
Group mail box			commodity.research@nl.abnamro.com
Research:			
- Georgette Boele	Head FX & Commodity research	+31 20 629 77 89	georgette.boele@ch.abnamro.com
- Hans van Cleef	Analyst FX & Commodity research	+31 20 343 88 43	hans.van.cleef@nl.abnamro.com

Group Economics:

Contact information ABN AMRO | Group Economics:			
	Primary area of expertise:	Phone:	E-mail:
Sector & Commodity Research:			
- Jacques van de Wal	Head Sector & Commodity Research	+31 20 628 04 99	jacques.van.de.wal@nl.abnamro.com
- Casper Burgering	Metals	+31 20 383 26 93	casper.burgering@nl.abnamro.com
- Tim Boon von Ochssée	Energy (oil, gas)	+31 20 343 46 79	tim.ochssee@nl.abnamro.com
- Thijs Pons	Soft commodities & food	+31 20 628 64 37	thijs.pons@nl.abnamro.com
- Sien Tennekes	Sugar	+31 20 628 04 97	sien.tennekes@nl.abnamro.com
- Theo de Kort	Information specialist	+31 20 628 04 89	theo.de.kort@nl.abnamro.com

More information:

Websites Group Economics	
- Internet Private Banking	www.abnamroprivatebanking.com
- Internet Group Economics (Macro Research):	www.abnamro.nl/nl/zakelijk/service/publicaties/economisch_bureau.html
- Internet Group Economics (Sector & Commodity Research):	www.abnamro.nl/sectoren

Disclaimer & further information

 This material was prepared by ABN AMRO Group Economics Sector Research and ABN AMRO Private Banking International. It is provided for informational purposes only and does not constitute an offer to sell or a solicitation to buy any security or other financial instrument. While based on information believed to be reliable, no guarantee is given that it is accurate or complete. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. The opinions, forecasts, assumptions, estimates, derived valuations and target price(s) contained in this material are as of the date indicated and are subject to change at any time without prior notice. The investments referred to in this material may not be appropriate or suitable for the specific investment objectives, financial situation, knowledge, experience, or individual needs of recipients and should not be relied upon in substitution for the exercise of independent judgement. ABN AMRO or its officers, directors, employee benefit programs or co-workers, including persons which were involved in preparing or issuing this material, may from time to time hold long- or short-positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this material. ABN AMRO may offer and render at any time investment banking-, commercial banking-, credit-, advice-, and other services to the issuer of any security referred to in this material. Pursuant to offering and rendering such services, ABN AMRO may come into possession of information not included in this material and ABN AMRO may prior or immediately after publication thereof have acted based on such information. In the past year, ABN AMRO may have acted as lead manager or co-lead manager with regard to a public offering of securities from issuers as mentioned in this material. The stated price of any securities mentioned herein is as of the date indicated and is not a representation that any transaction can be effected at this price. Neither ABN AMRO nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without ABN AMRO's prior express consent. This document is solely intended for dissemination amongst private/retail customers. Distribution to private/retail customers in any jurisdiction that would require registration or licensing of the distributor which the distributor does not currently have, is not permitted. Material means all research information contained in any form including but not limited to hard copy, electronic form, presentations, e-mail, SMS or WAP.

US Securities Law

ABN AMRO Bank N.V. is not a registered broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act") and under applicable state laws in the United States. In addition, ABN AMRO Bank N.V. is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, absent specific exemption under the Acts, any brokerage and investment advisory services provided by ABN AMRO Bank N.V., including (without limitation) the products and services described herein are not intended for U.S. persons. Neither this document, nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person.

Other jurisdictions

Without limiting the generality of the foregoing, the offering, sale and/or distribution of the products or services described herein is not intended in any jurisdiction to any person to whom it is unlawful to make such an offer, sale and/or distribution. Persons into whose possession this document or any copy thereof may come, must inform themselves about, and observe any legal restrictions on the distribution of this document and the offering, sale and/or distribution of the products and services described herein. ABN AMRO can not be held responsible for any damages or losses that occur from transactions and/or services in defiance with the restrictions aforementioned.

Company disclosures

ABN AMRO may beneficially hold a major shareholding or a significant financial interest of the debt of this company. ABN AMRO currently maintains a market in the security of this company and otherwise purchases and sells securities of this company as principal. ABN AMRO has received compensation for investment banking services from this company, its subsidiaries or affiliates during the previous 12 months.

Personal disclosures

The information in this opinion is not intended as individual investment advice or as a recommendation to invest in certain investments products. The opinion is based on investment research of ABN AMRO Group Economics Sector Research and ABN AMRO Private Banking International. The analysts have no personal interest in the companies included in this publication'. Their remuneration for this work is not, was not and will not be related directly or indirectly to the specific recommendations or views expressed in this opinion