

DOW JONES-UBS COMMODITY INDICES Year End Commodities Commentary

Dow Jones-UBS Commodity Index Ends 2012 Down Losses in Coffee, Natural Gas and Orange Juice

By Christine Marie Nielsen

New York (January 4, 2013) — The Dow Jones-UBS Commodity Index ended the year down 1.14%. The three most significant downside performing single commodity indices in 2012 were coffee, natural gas and orange juice, which ended the year down 41.64%, 30.70%, and 26.07%, respectively.

Coffee prices lost ground on expectations of a stronger crop. The International Coffee Organization (ICO) forecast an 8.4% increase in the world coffee harvest in 2012-13 to 146m tonnes.

Throughout the year, an enormous amount of gas in storage and consistently high gas production levels pressured natural gas prices, thanks largely to new technology and shale formation gas wells.

Orange juice futures started the year at record price levels, but by mid-2012 had dropped to their lowest levels in two years after concerns subsided about small amounts of fungicide in juice from Brazil that had not been approved by the U.S. Food and Drug Administration (USDA).

The Dow Jones-UBS Single Commodity Indices for soybean meal, unleaded gasoline and soybeans had the strongest gains in 2012, producing year-end returns of 48.94%, 25.57%, and 23.85%, respectively.

Strong export demand for U.S. soybeans and soy oil, in addition to drought concerns boosted that commodity in 2012. Soybean futures soared to a record high of \$17.94 a bushel in September.

According to AAA, which publishes a regular Fuel Gauge Report, in 2012 unleaded gasoline prices increased to begin the year as geopolitical tension with Iran mounted and the “fear premium” in oil markets boosted the national average price at the pump. Gas prices were also driven higher by hurricanes in the Northeast and Gulf Coast and refinery outages in the Midwest.

For December, the Dow Jones-UBS Commodity Index was down 2.61%, despite the fact many commodities saw an end-of-the-year rally thanks to word of a potential Fiscal Cliff deal in Washington which would avoid another recession in the U.S. economy.

The three most significant downside performing single commodity indices were cocoa after a continuing fall in the price of cocoa beans on the world market; wheat, which suffered from poor export demand; and silver, which was impacted by global contraction in manufacturing. The indices ended the month down 10.49%, 9.90%, and 9.17% respectively.

The Dow Jones-UBS Single Commodity Indices for tin, feeder cattle and lead had the strongest gains with returns of 7.12%, 4.42%, and 2.83%, respectively. Base metals received a boost after industrial production expanded in China, and lower feeder cattle slaughters from year-ago levels boosted feeder cattle prices.

The agreement achieved in the fiscal dispute in the U.S, and growing economic optimism and risk appetite, a weaker U.S. dollar and the expansionary monetary policy pursued by central banks are likely to support an upswing in commodity prices in 2013, according to research released by Commerzbank on January 3. “We thus look ahead to the year 2013 with great optimism,” Commerzbank researchers wrote.

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Christine Marie Nielsen has worked for more than 14 years as a financial journalist, covering the fixed income market and Chicago exchanges for Dow Jones Newswires for eight years. She's also hosted a syndicated radio spot on the stock and futures markets from the floor of the Chicago Board of Trade. She is currently working as managing editor for JLN news service, a division of John J. Lothian & Co. Separate from her work at John J. Lothian & Co., Nielsen is the publisher and founder of Our Earth Issues (OEI). The site uses interactive video to create large-scale virtual "global town hall" meetings with the aim of facilitating dialog and finding solutions to problems common across the world. A patent is pending on the methodology and web site design. As part of the OEI project, Nielsen coined the term "Dialog Journalism" and registered the term for trademark in summer of 2011.

For more information, please visit: <http://www.djindexes.com/commodity/>

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