

15:35 11Jan12 -TRAFIGURA CHIEF ECONOMIST SEES BRENT CRUDE AVERAGING \$115-\$120/BBL IN 2012, COULD GO ABOVE \$130 IF IRAN BLOCKS STRAIT OF HORMUZ

15:35 11Jan12 -TRAFIGURA ECONOMIST SEES 10 PCT DOWNSIDE RISK FOR COPPER IN NEXT FEW MONTHS BUT PRICE ABOVE \$10,000 PER TONNE BY END 2012

15:35 11Jan12 -TRAFIGURA ECONOMIST SEES TIN RISING TO \$25,000-\$30,000 PER TONNE AND ZINC AT \$2,400-\$2,500 PER TONNE BY END 2012

15:36 11Jan12 -INTERVIEW-Trafigura sees chance of oil spike above \$130

- \* Brent backwardation to stay intact
- \* Commodities risk appetite to stay muted in early 2012
- \* Industrial metals to end year up to 50 pct higher

By Emma Farge

GENEVA, Jan 11 (Reuters) - Oil prices will average between \$115-120 a barrel this year, the highest annual level on record, and could briefly spike above \$130 if Iran blocks the Strait of Hormuz, the chief economist for trading house Trafigura [TRAFGF.UL] told Reuters.

Most commodity markets are set to finish this year higher than they started as monetary easing will spur growth in emerging markets, Trafigura's Alan Williamson said, but a thin oil supply buffer means it could surge sooner and faster than the rest of the asset class.

Swiss-based Trafigura is the world's third largest trader of crude oil, handling about 2.5 million barrels a day, and manages around \$2 billion via its hedge fund Galena.

"Brent will average \$115-\$120 this year and there's more upside if supply woes materialise. If Iran did close it (the Strait of Hormuz) oil could spike above \$130 a barrel in the short term," he said.

Tension over Iran's nuclear programme, which Tehran says is for peaceful purposes, has led to threats by Iran to shut the Strait of Hormuz, the world's most important oil shipping route.

Williamson added that a similar spike could also result from an attack on oil infrastructure in neighbouring Iraq, where violence has mounted since the departure of U.S. troops in December.

Brent reached a record average of around \$111 a barrel last year partly due to the impact of a civil war in OPEC member Libya, surpassing the previous annual peak of near \$100 a barrel in 2008.

Supply concerns will likely keep the Brent curve in backwardation this year, meaning that near month contracts will retain premiums to later dated futures, he added.

"It (backwardation) will persist because near term worries are so pronounced and the physical market remains balanced and it wouldn't take that much for it to go into deficit which would tighten the structure," he said.

#### RISK OFF, RISK ON

Williamson expects risk appetite in the commodities sector generally to remain muted because of weak global growth and an expected strengthening in the dollar.

The sector saw big losses in 2011 after a sharp sell-off in May and as slack global growth prompted some investors to switch to cash and other safe havens.

But he is optimistic that they will bounce back in the second half of 2012 due to monetary easing in key emerging markets following interest rate cuts in Brazil last year.

"The cyclical slowdown in emerging markets should come to a trough around the middle of this year. When inflation is under control there will be less tightening and then it should go into reverse," he said.

Copper <CMCU3>, zinc <CMZN3> and tin <CMSN3> are among his top picks for 2012 and could close the year as much as 25-50 percent higher, he said.

Copper could be vulnerable to a 10 percent downwards correction in the next few months due to feeble global growth but is set to reach record levels near \$10,000 a tonne by year end, or over 30 percent above current levels, he said.

He forecast that tin would rise to \$25,000-\$30,000 a tonne or up to 50 percent above current levels and zinc would hit \$2,400-\$2,500 a tonne, up about 30 percent.

"We expect there to be an improved attitude to risk in the second half of the year...It's the commodities that are more linked to China and have supply issues which have most potential for upside," he said.

Chinese economic growth is unlikely to slow to less than 8 percent, he added, ruling out a bearish commodities scenario for a "hard landing" in the world's biggest energy consumer.

Williamson said he was "reluctantly bullish" on gold and that it will only rise significantly if the dollar turns sharply lower, pointing to a strong negative correlation between the assets.

"We think prices will head higher if interest rates remain low and there is a weaker dollar. That requires a catalyst for a weaker dollar and that is not likely in the short term."

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Keywords: TRAFIGURA/

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