



# Macro and Cross Commodity Outlook

Thursday 11 July 2024

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# Macroeconomic Review

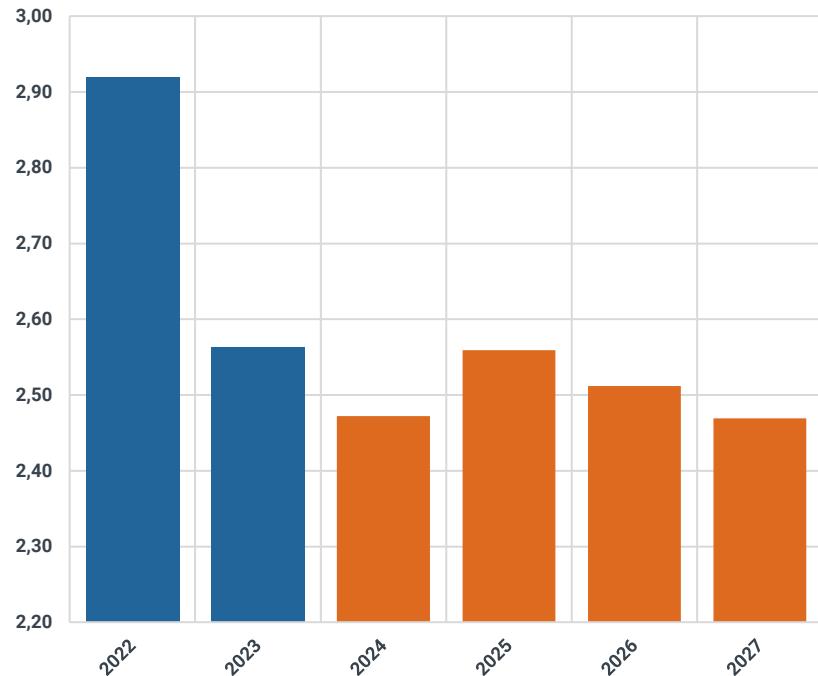


# Global: Growth Outlook

Global growth is set to finish at just under 2.5% this year

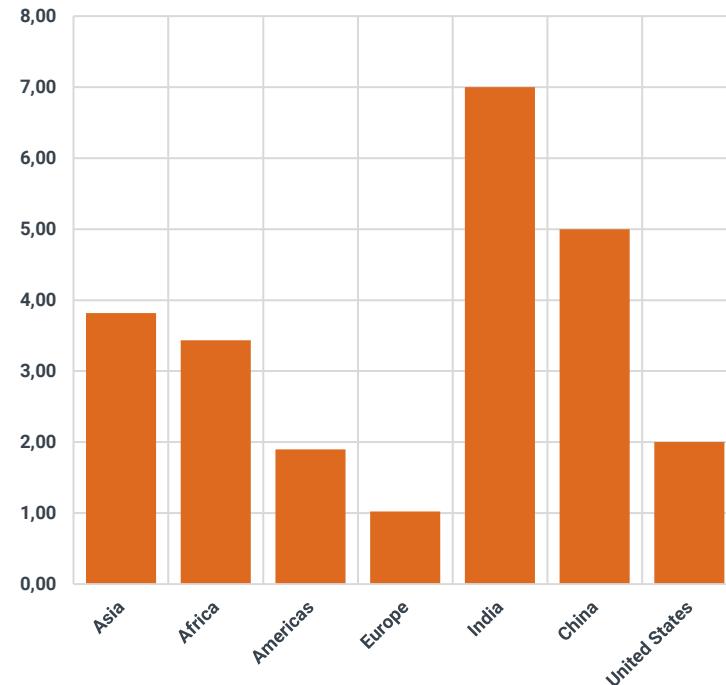
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## Yearly World Real GDP Growth Forecast (%)



Source: Kpler, various international organizations

## 2024 GDP Growth Forecast by Region (%)



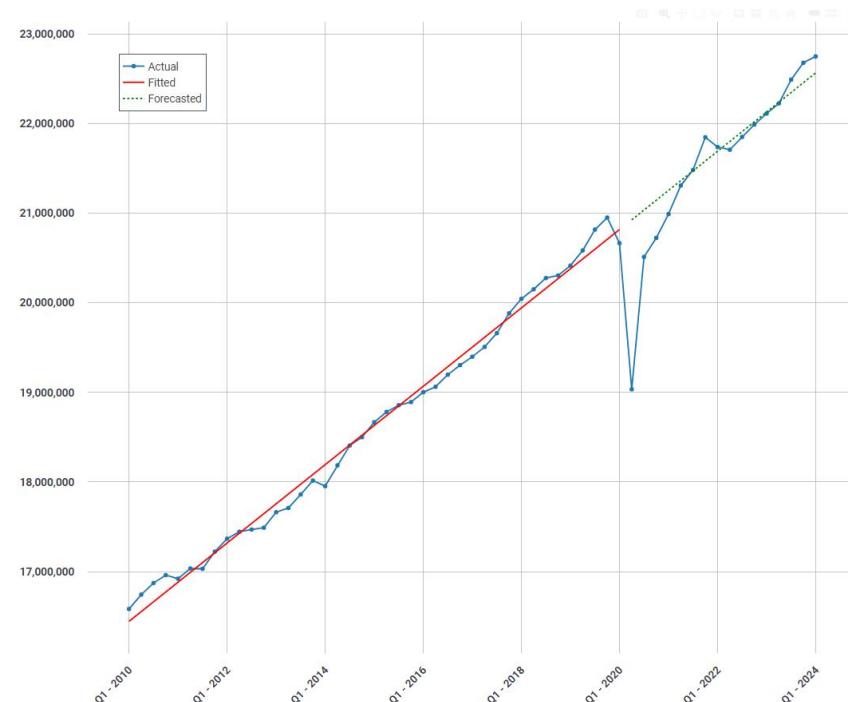
Source: Kpler, various international organizations

# United States: Economic Outlook

Growth set to slow to 2% this year, down from 2.5% seen last year

- **US economic growth slowing**, albeit off a very elevated 2023 baseline. We forecast headline growth of 2% this year, down from 2.5% last year.
  - This forecast might face some downward revision if Q2 growth comes in weaker than expected.
- **US consumer has been the driver of growth.** A continuation in this pattern requires healthy job mkt.
  - For now, labor market remains undersupplied by roughly 1.5 million workers.
  - However, slow tick higher in unemployment indicative of loosening. Immigration playing a major role.
- **Consumer inflation** has recently eased. However, not convinced this can continue without significant labor market weakness, which is currently not the dynamic.
  - Possible we get one rate cut in September following June CPI data. However, will need to watch how inflation evolves through July and August.
- Huge **government deficits** supportive of growth, the US consumer, and investment, but fuels inflation.

## Quarterly US Headline Real GDP Against Pre-Pandemic Trend (USD mn)



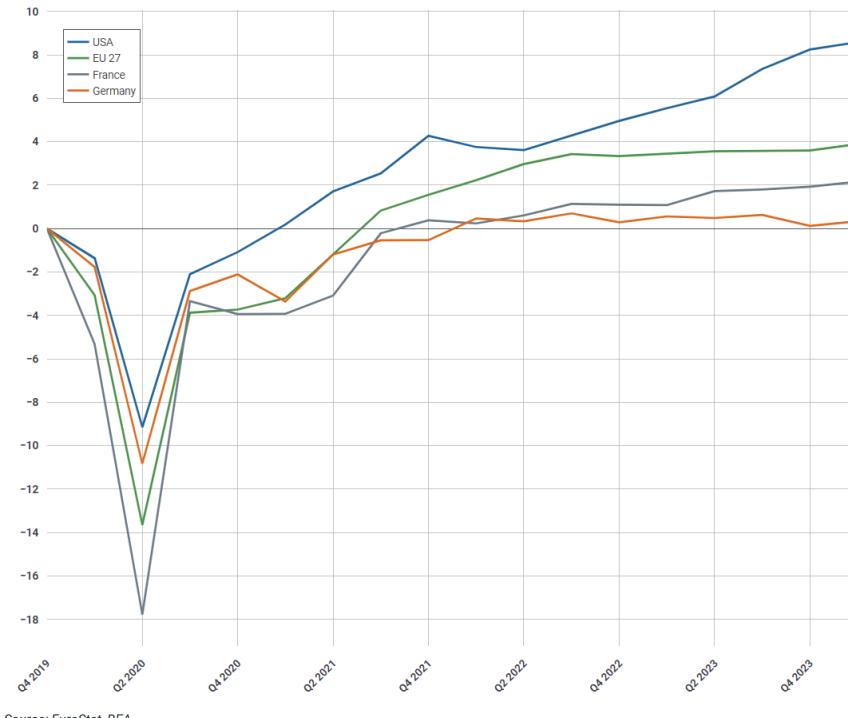
Source: BEA

# European Union: Economic Outlook

EU 27 avoided recession in Q4; we estimate growth at 1% in 2024, up from 0.4% last year

- EU 27 enjoyed a pickup in growth through Q1 with output rising to 1.2%, after no growth through H2 2023. Europe trailing US in post-Covid period.
  - We forecast a small pickup in growth to 1% in 2024, up from 0.5% in the year prior.
- Core inflation showing signs of stickiness, but relatively subdued GDP growth should allow a return to 2% target at some point H1 of next year.
  - ECB cut rates on 6 June as expected but raised inflation expectations. No forward guidance at this juncture. Inflation figures will ultimately guide policy.
- Rising household consumption will be key driver of the small expected recovery this year.
  - Labor market remains tight with unemployment at decade lows. Consumer sentiment has recovered back to levels before war in Ukraine began.
- Investment will continue to lag until late this year, especially across the manufacturing space. Construction could fare better.

Quarterly GDP Growth Against Q4 2019 Baseline (%)



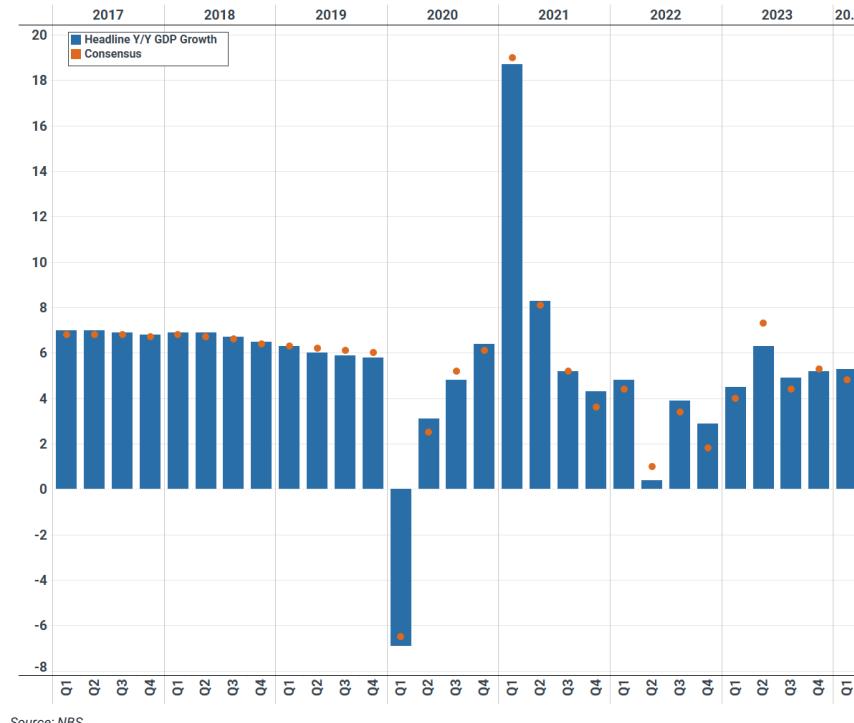
Source: EuroStat, BEA

## China: Economic Outlook

**Government targets a growth rate of 5%; policymakers appear to be going back to the same investment led playbook**

- **China officially targets a 5% growth rate for 2024**, towards the upper end of our expectation; meeting such a goal will require higher fiscal stimulus.
  - The growth target came alongside confirmation of a USD 138 bn special bond issuance.
  - PBOC continues to ease monetary policy but will take a restrained approach to limit rate of RMB depreciation.
- **Stimulus will emphasize investment** (infrastructure, high value chain factory buildout, etc.) but will provide little support to households.
  - **Manufacturing growth** poised to accelerate relative to year earlier levels (>4.5% growth).
  - Retail sales and **consumer spending growth** will lag against 2023 (<7% growth).
- **International community is growing increasingly aggravated over Chinese industrial overcapacity.**
- Huge long run challenges -> need to **shift away from investment** led growth model and **rapidly declining population**.

## Quarterly Chinese Y/Y GDP Growth Against Consensus Forecast (%)



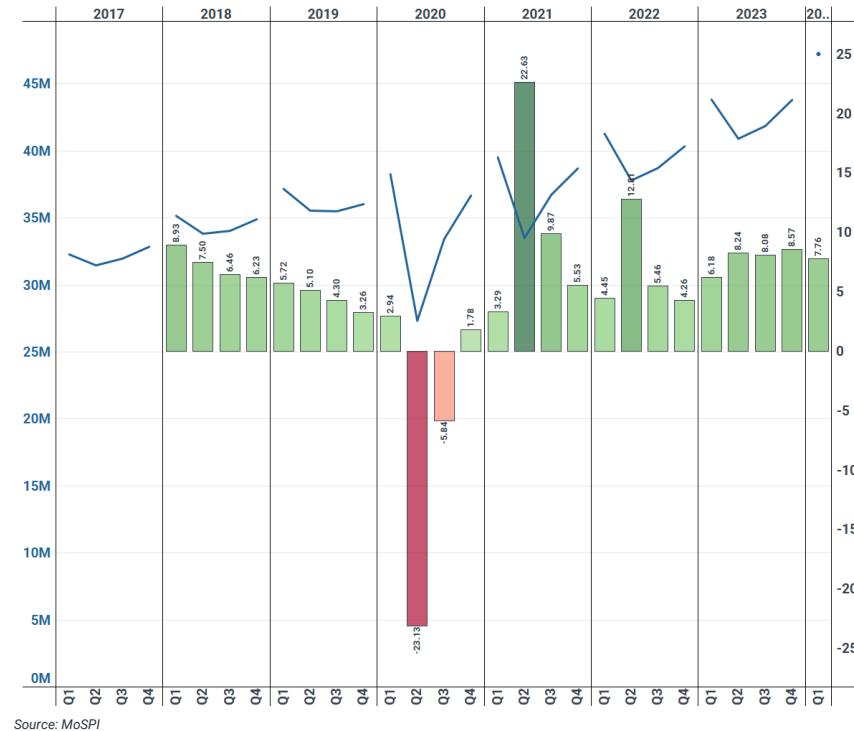
Source: NBS

## India: Economic Outlook

**Another strong year of growth expected, led by investment; questions remain after Modi underperformance**

- We forecast **Indian GDP growth at a healthy 7% this year**, outpacing all other large economies.
  - Q1 2024 continued a pattern of strength with output expending 7.8% y/y.
  - Investment growth to remain elevated, albeit below 2023 levels. Household consumption growth to accelerate.
- While the RBI is done hiking rates, **concerns around inflation will keep rate cuts off the table until Q4 of this year at the very earliest.**
  - **Inflation** looks sticky after a spike late last year due to rising food prices. Headline (4.8% annualized) still above 4% RBI target.
- Weakening of BJP could have several implications for economic policy:
  - **Higher welfare spending, a slowdown in infrastructure buildout, a lack of progress on land/labor reforms, and more scrutiny over manufacturing subsidies.**
  - However, potential Modi shift to the center could bolster western appetite for FDI.

## Quarterly Real Headline Indian GDP (INR mn, left) and Y/Y % Delta (right)



Source: MoSF

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**Crude Oil**

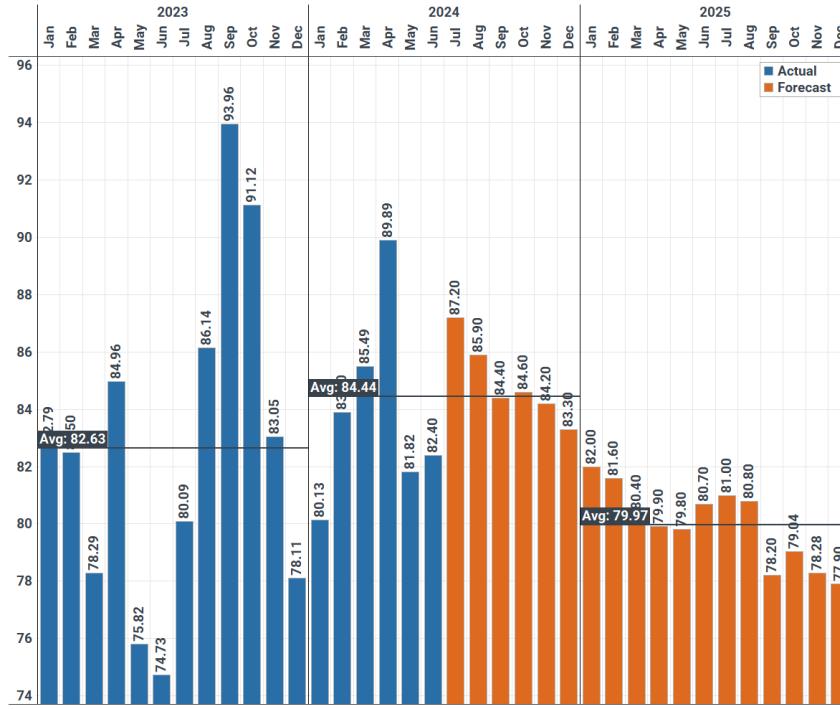


# Crude Oil: Price Forecast and Positioning

Prices will continue to find support through the summer before easing into the end of the year

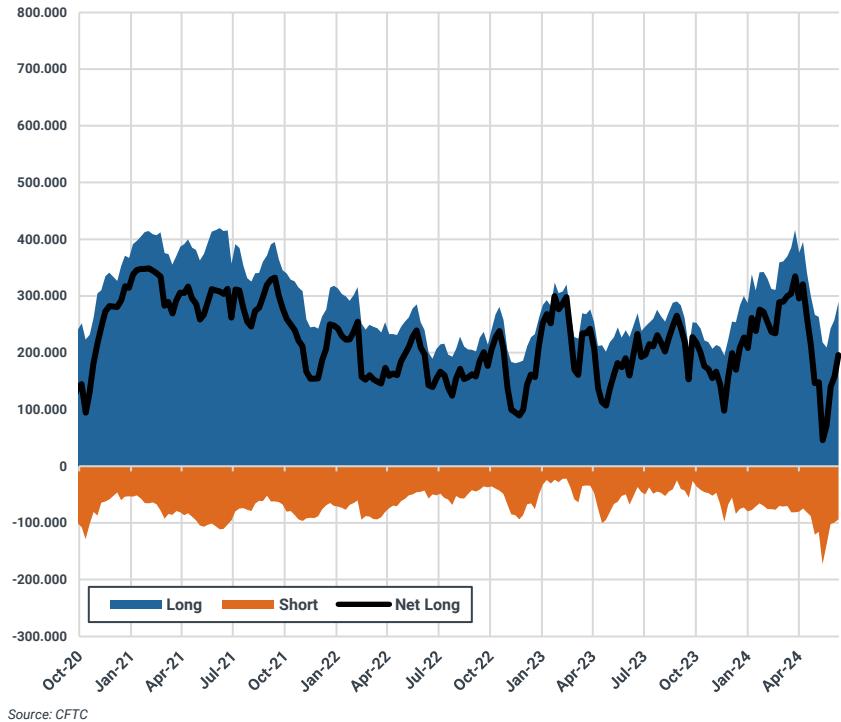
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## Monthly Average North Sea Dated Spot Price with Forecast (\$/bbl)



Source: Kpler; forecast as of June 1, 2024

## Weekly Speculative Brent Contract Positioning



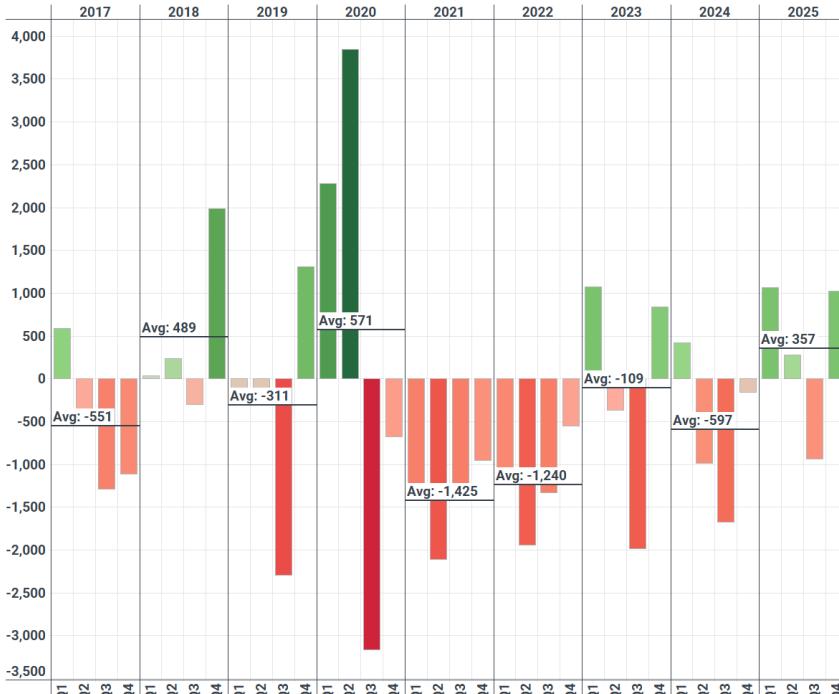
Source: CFTC

# Crude Oil: Balance and Onshore Inventories

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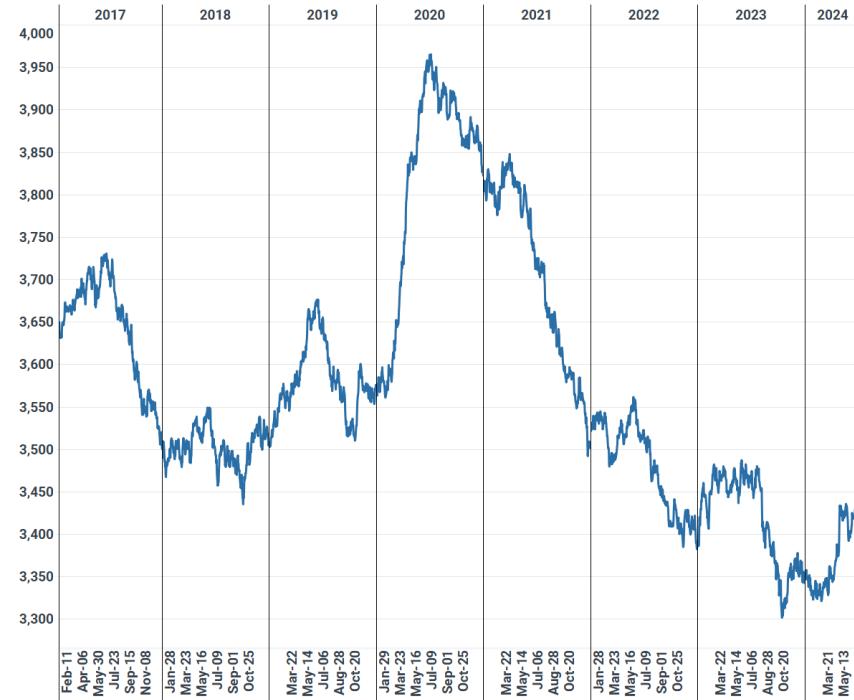
Balance will be significantly less negative in Q3 2024 relative to year earlier levels

## Quarterly Global Oil Supply/Demand Balance (kbd)



Source: Kpler; includes crude + condensate, excludes NGLs and unfinished oils

## Daily Global Onshore Oil Inventories (Mb)



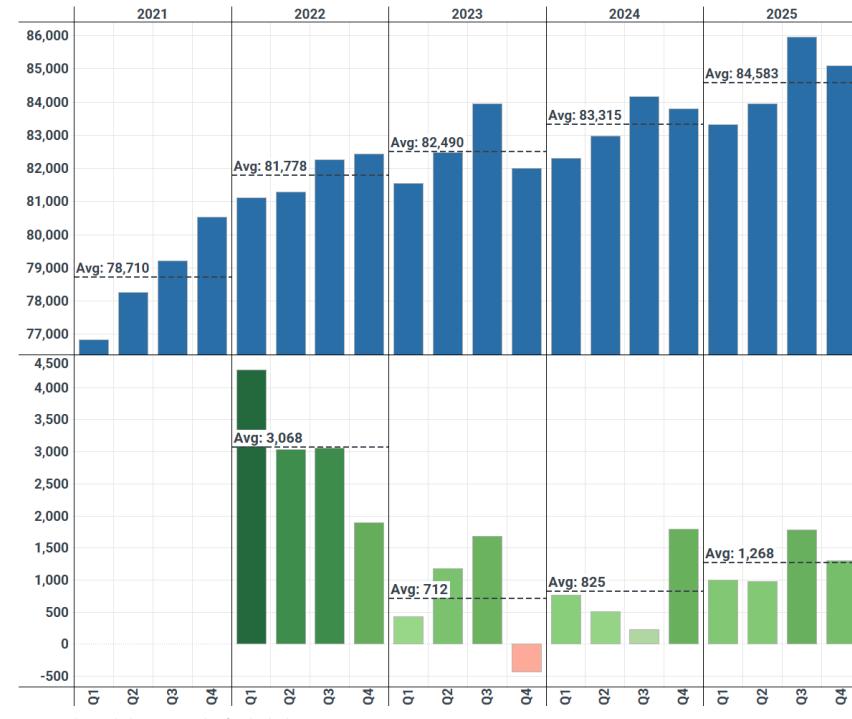
Source: Kpler

# Crude Oil: Supply and Demand

11

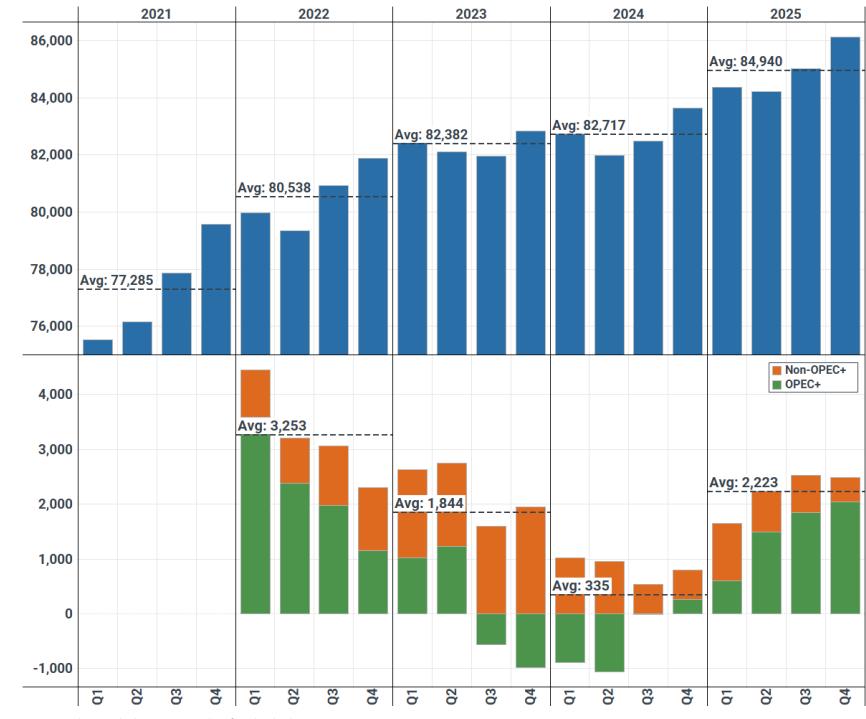
Supply will far exceed demand next year, a bearish factor for prices

Quarterly Global Oil + Condensate Demand (kbd, top) and Y/Y Delta (kbd, bottom)



Source: Kpler, excludes NGLs and unfinished oils

Quarterly Global Oil + Condensate Production (kbd, top) and Y/Y Delta (kbd, bottom)



Source: Kpler, excludes NGLs and unfinished oils

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# Natural Gas and LNG

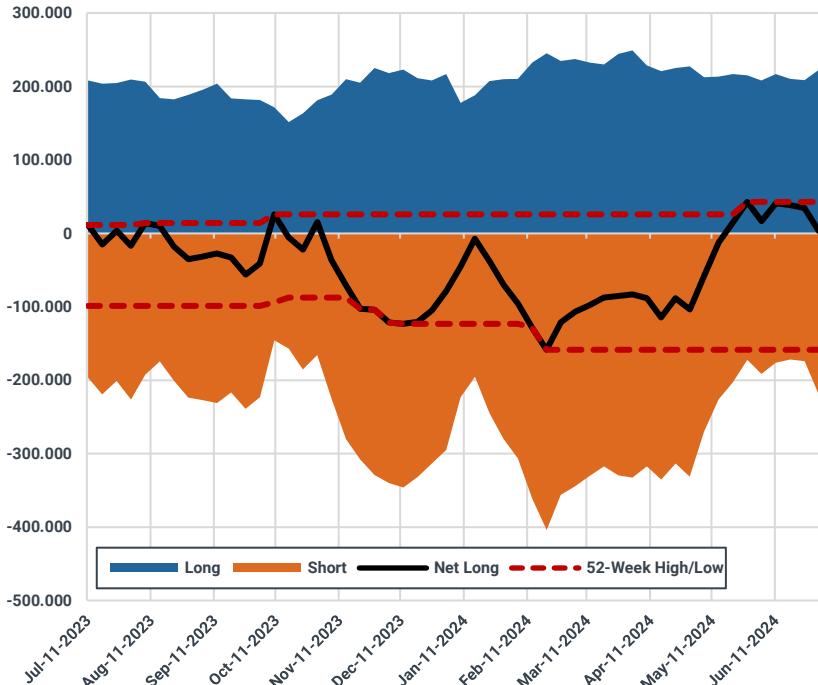


# Natural Gas: United States

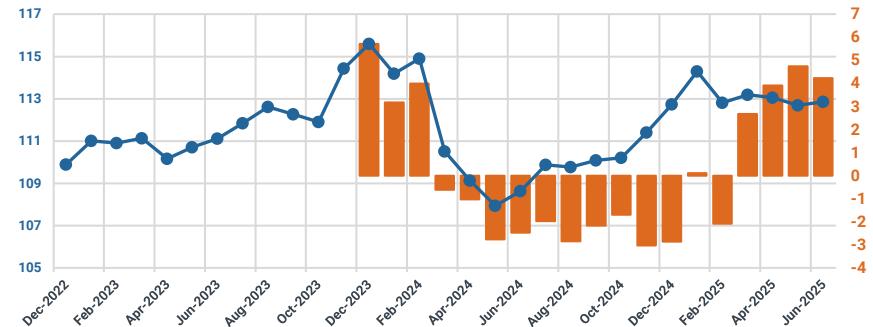
Supply reductions and demand growth this summer contributing to bullish sentiment

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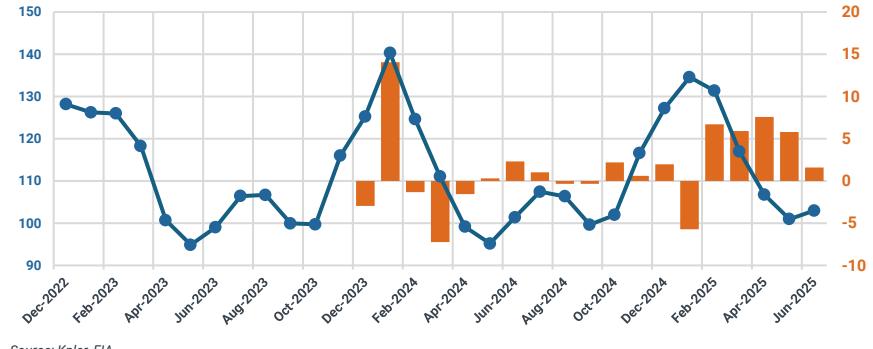
## Weekly Speculative US Natural Gas Contract Positioning



## Monthly US Natural Gas Supply (bcfd, left) and Y/Y Delta (bcfd, right) with Year Ahead Forecast



## Monthly US Natural Gas Demand (bcfd, left) and Y/Y Delta (bcfd, right) with Year Ahead Forecast

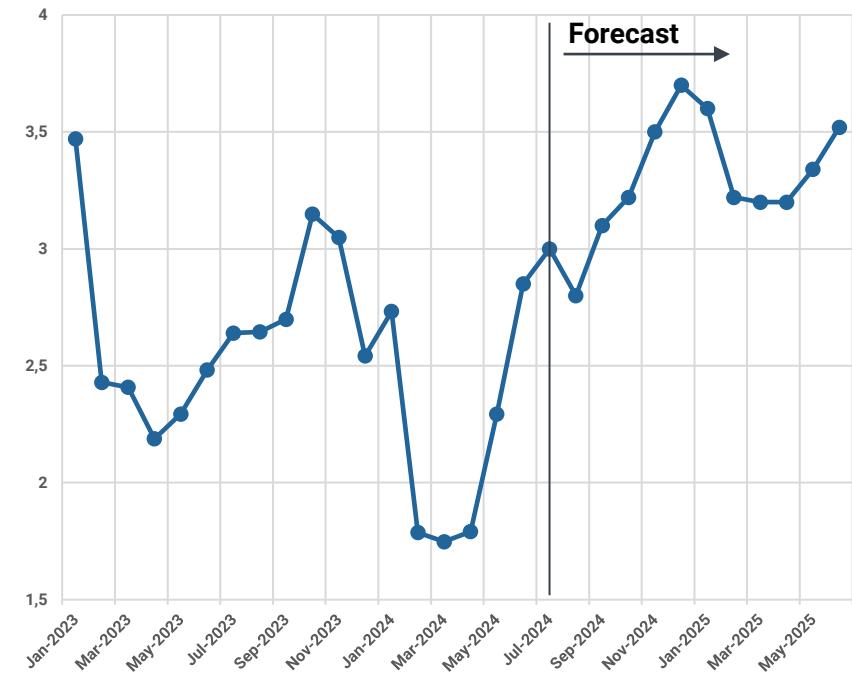


# Natural Gas: United States

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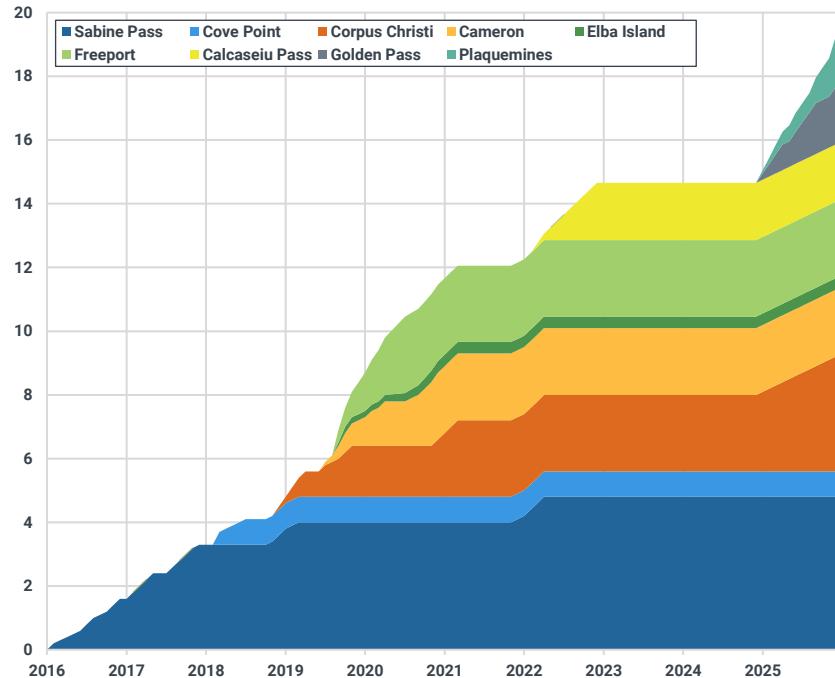
LNG export capacity additions should provide Henry Hub price support into 2025

## Monthly Average Henry Hub Spot Price with Year Ahead Forecast (\$/MMBtu)



Source: Kpler, NYMEX

## Monthly US LNG Export Capacity by Plant (bcfd)



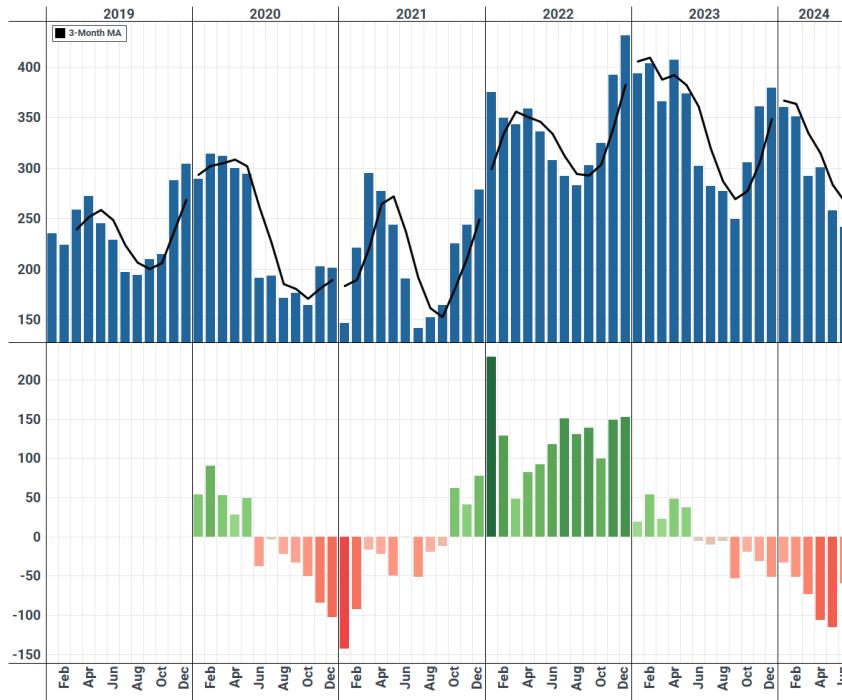
Source: Kpler, EIA

# Natural Gas: Europe

15

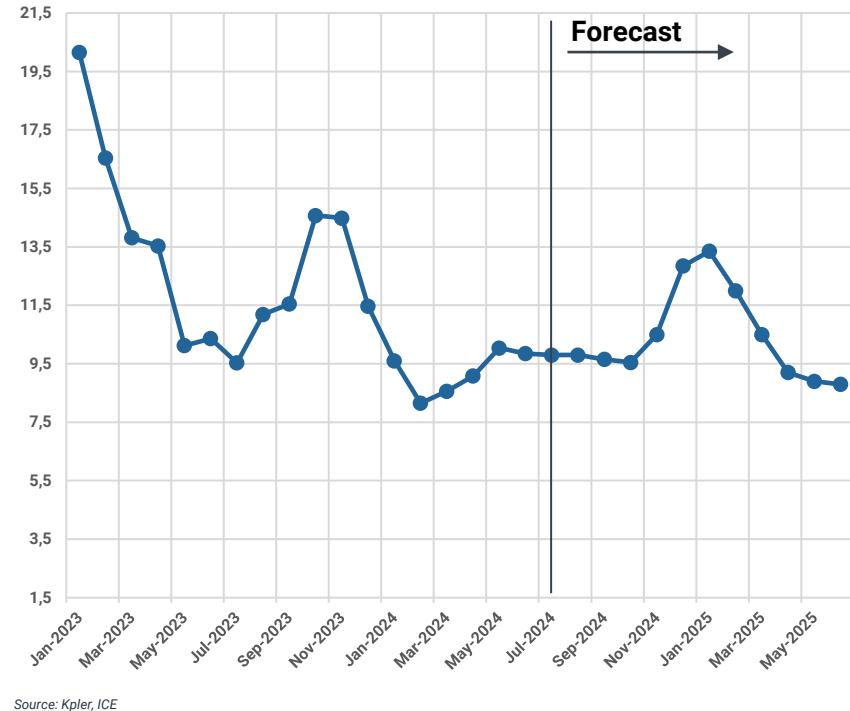
Prices broadly flat to lower y/y over the next year amid weak demand and additional LNG capacity in 2025

## Monthly European LNG Imports (kt/day, top) and Y/Y Delta (kt/day, bottom)



Source: Kpler

## Monthly Average TTF Spot Price with Year Ahead Forecast (\$/MMBtu)



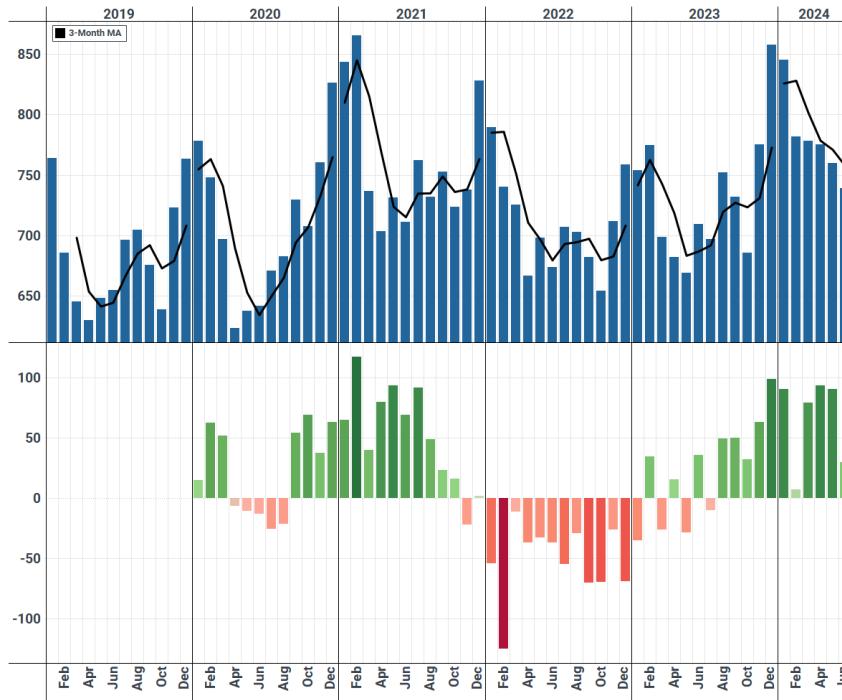
Source: Kpler, ICE

# Natural Gas: Asia

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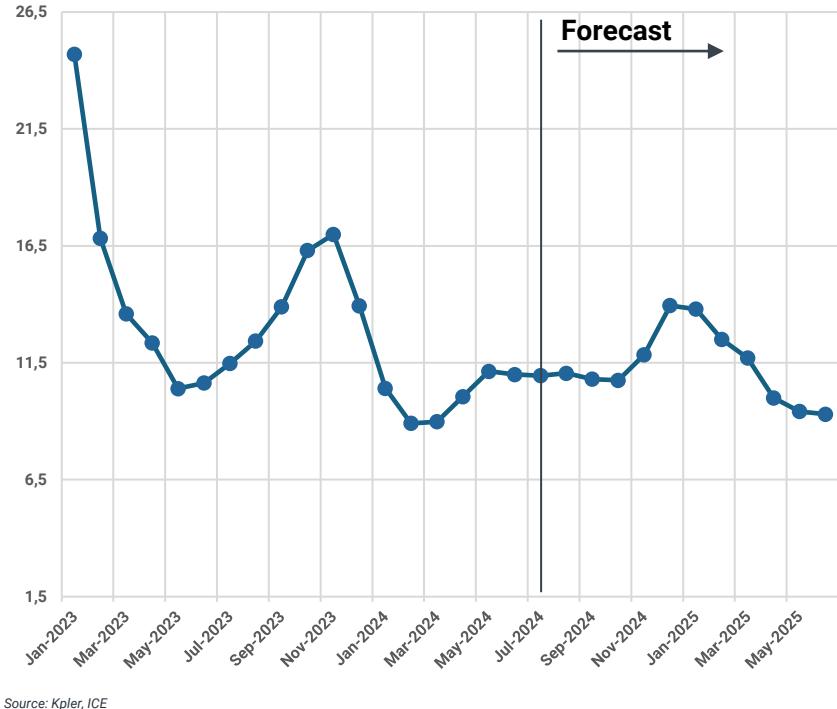
JKM will consistently sit at a small premium to TTF, but prices will remain well below year earlier levels this winter

Monthly Asian LNG Imports (kt/day, top) and Y/Y Delta (kt/day, bottom)



Source: Kpler

Monthly Average JKM Spot Price with Year Ahead Forecast (\$/MMBtu)



Source: Kpler, ICE

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# Iron Ore and Copper

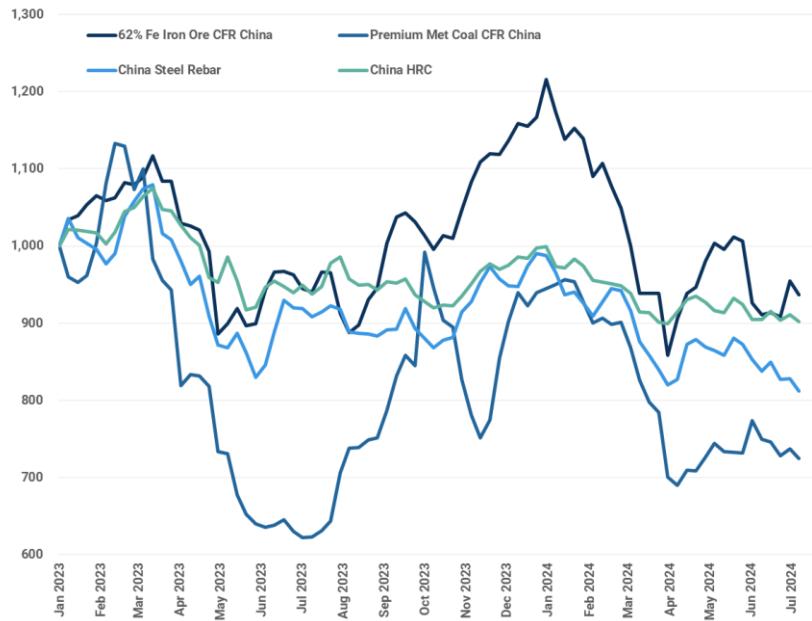


# Iron Ore

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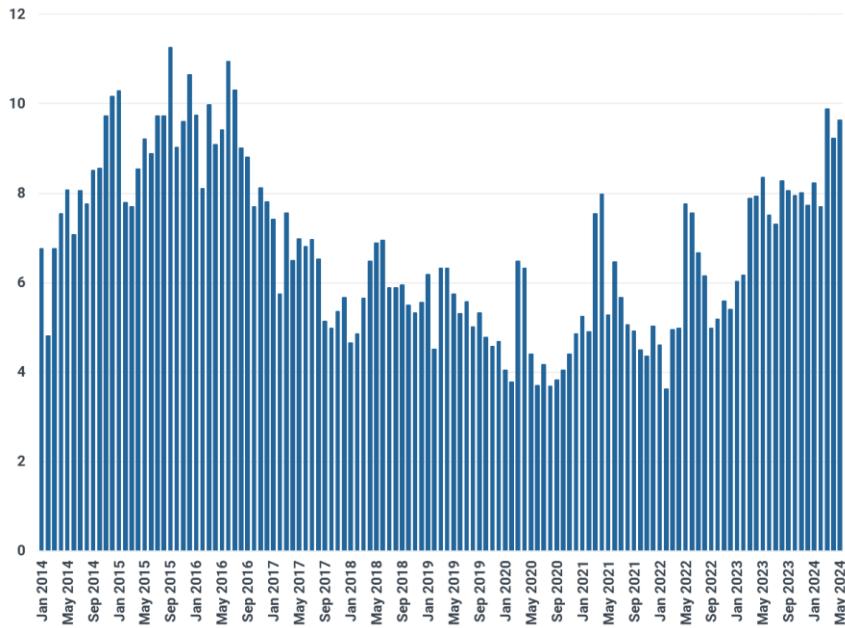
Crude steel production in China has accelerated, but domestic demand weakness has driven up steel product exports

## Chinese steel-related commodity prices indexed



Source: MarketView/Kpler Insight

## Chinese steel product exports surge (Mt)



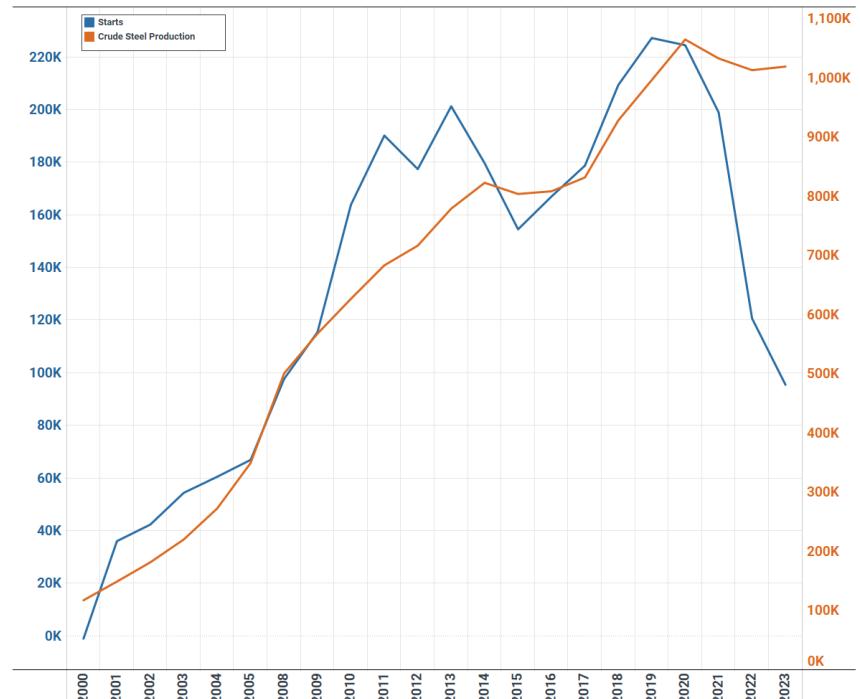
Source: China Iron and Steel Association

# Iron Ore

19

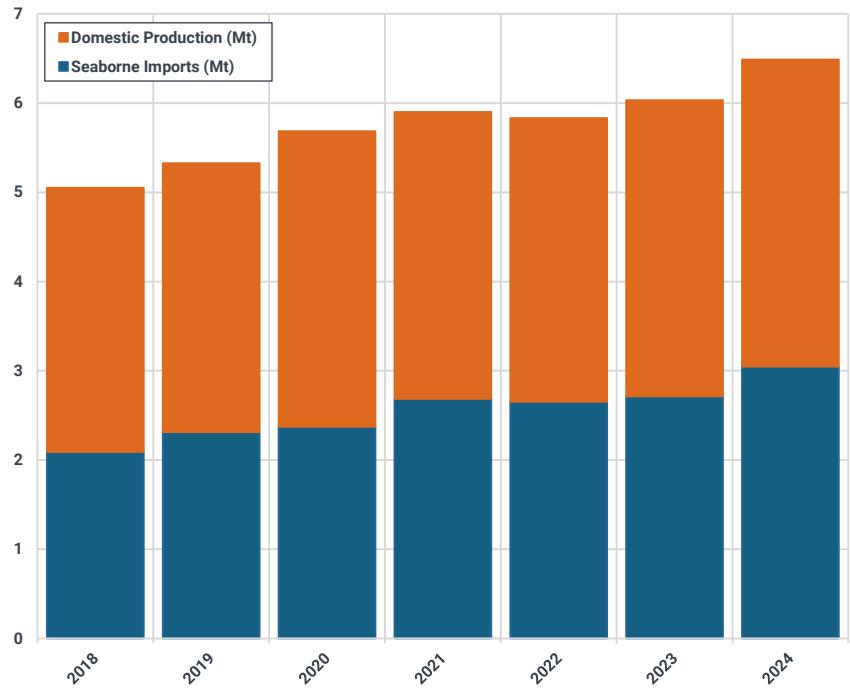
Chinese smelting demand has remained elevated, but reliance on exports becoming increasingly problematic

Yearly Chinese Construction Starts (left) and Crude Steel Production (kt, right)



Source: NBS

Yearly Chinese Iron Ore Imports + Domestic Production (Mt/day)



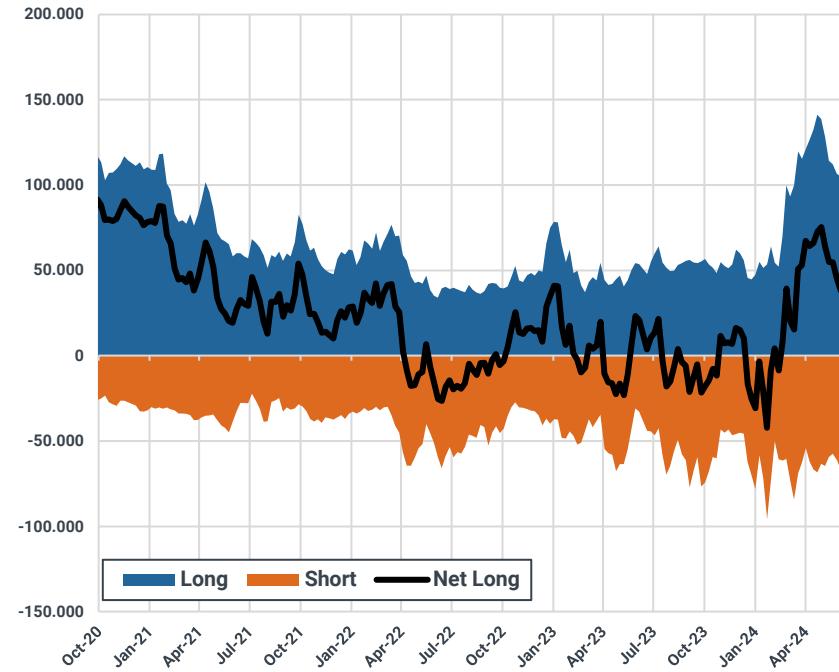
Source: Kpler, NBS; data for 2024 is a year-to-date calculation through April

# Copper: Price Expectations

Additional downside potential through the second half of this year with a price floor of \$9,300/mt

- Q4 2023: two bullish supply-side events (Cobre Panamá, Anglo American) but muted global economic outlook dampened price impact.
- Copper price rally set off in March:
  - Drivers: **announcement of Chinese smelter run cuts, improved economic picture late Q1 (PMIs)**,  
→ Supply concerns resurfaced
- Surge beyond \$10,000/mt: short squeeze
- Since June: return below \$10,000/mt:
  - **Weak Chinese demand and use of copper scrap**
  - **Little run cuts by Chinese smelters**
  - **Indonesian export ban postponed**
  - **Early start of Kamoa-Kakula 3**  
→ Expectations of 2024 copper concentrate deficit have eased (~300 kt)
- **Futures positioning:** net length remains elevated → additional downside potential in H2 (**price floor of \$9,300/mt**).
- Fed rate cut, Indonesia ban, low scrap stocks to amplify bullish long-term fundamentals → price surge in Q1 2025?

Weekly Speculative Comex Copper Contract Positioning



Source: Comex

# Copper: Demand

## Did Chinese copper smelters actually cut run rates?

- Chinese smelting capacity +650 ktpa y/y to above 10 Mtpa in 2024 (39% of the global total).
- March 13: pledge by Chinese smelters to cut run rates (and extend maintenance).
- But: continuation of highs throughput and/or exceptionally weak domestic demand:
  - **Copper warehouse stocks** rising longer than usual.
  - **Spot treatment charges** remain abysmal
  - **Copper cathode spot premiums** (cif Shanghai) turned negative in May-24 → very weak Chinese buying of refined copper from abroad
  - **Copper concentrate imports** at high levels for this time of the year.

→ **No apparent tightness in the Chinese copper market** (56% of global demand)

Copper China: stocks, spot premiums, spot TCs [kt; \$/mt]



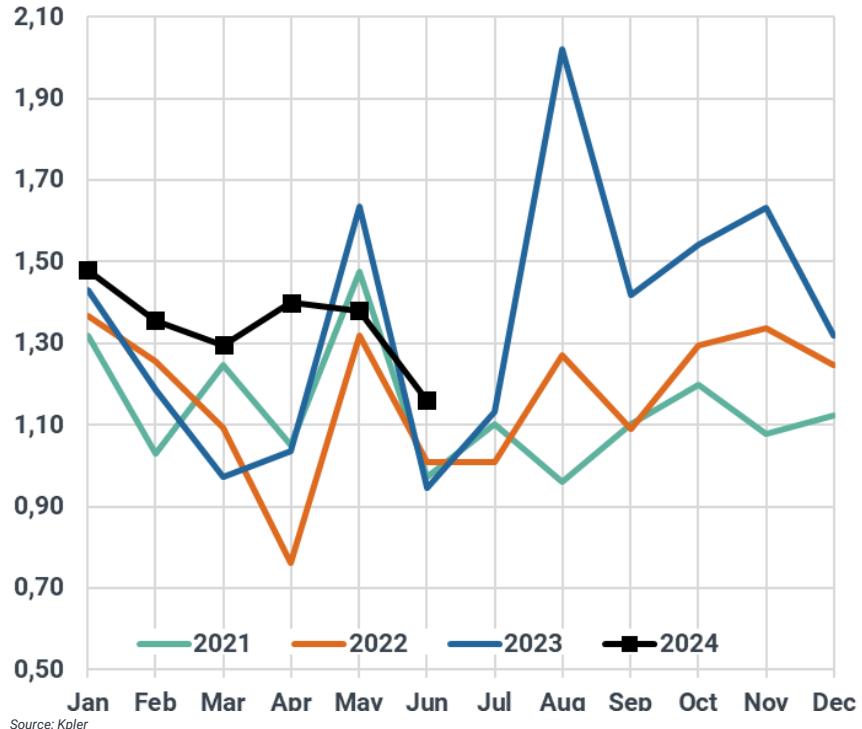
# Copper: Demand

## Ample domestic copper availability in China

Slowdown in Chinese copper demand growth:

- **Fiscal stimulus** targeted towards **manufacturing rather than** (more copper-intensive) sectors **property and infrastructure**.
- 2024 ytd: firm **Chinese exports** (+7.6% y/y in May) but **set to weaken**: US tariffs (\$18bn) include copper-intensive goods:
  - EVs (25% → 100%)
  - Solar cells (25% → 50%)
  - Li-ion batteries (7.5% → 25%)
- But: accelerated expansion in **renewables** capacity (+152 GW in 2022, +293 GW in 2023) **dampens impact from low construction activity**.
- **Strong rise** ytd in Chinese **refined copper inventories** - structurally higher in future?

Monthly Chinese Imports of Copper Concentrate [Mt]



Source: Kpler

# Copper: Supply

## Indonesia's concentrate export ban – shifts in flows

- Major mines affected: Grasberg (753 kt), Batu Hijau (130 kt)

Potential shifts in trade flows:

- India: growing share of SAM imports**

- Largest supplier: Indonesia. Replace existing imports, and +500 kt in smelting cap 2024/25.
- Little equity mining investments** → new traded supplies of copper concentrate: **South America** (QB2).

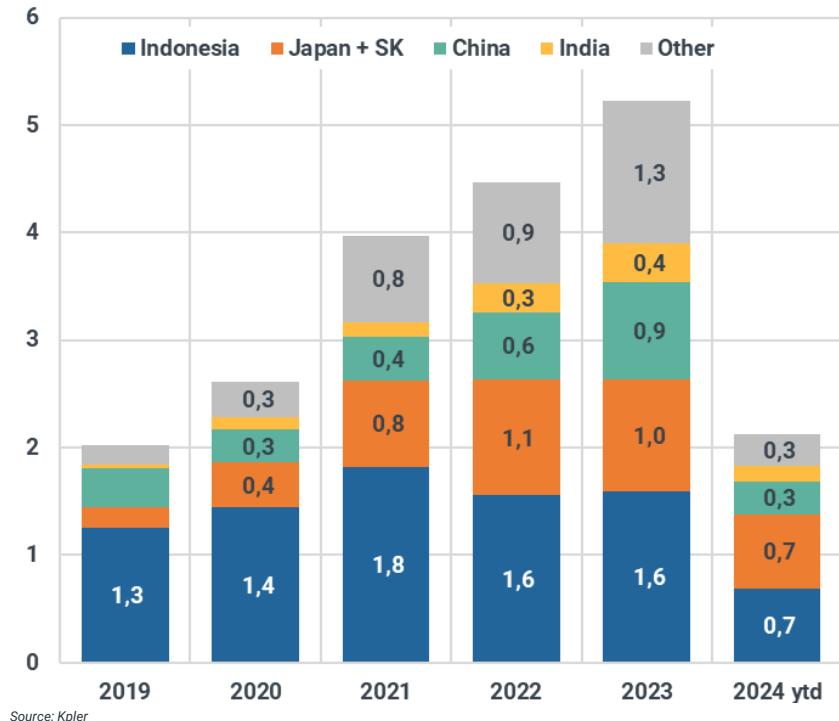
- Japan and SK: growing share of SAM imports**

- No smelting capacity additions
- Vast equity stakes in mines (Chile, Peru)

- China: growing share of African imports**

- +2.2 Mt smelting capacity until 2024/25
- Equity mining investment (Africa) + domestic expansion (Julong)
- Least diversified supplies (Chile, Peru).

### Indonesian Copper Concentrate Exports [Mtpa]



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## Power

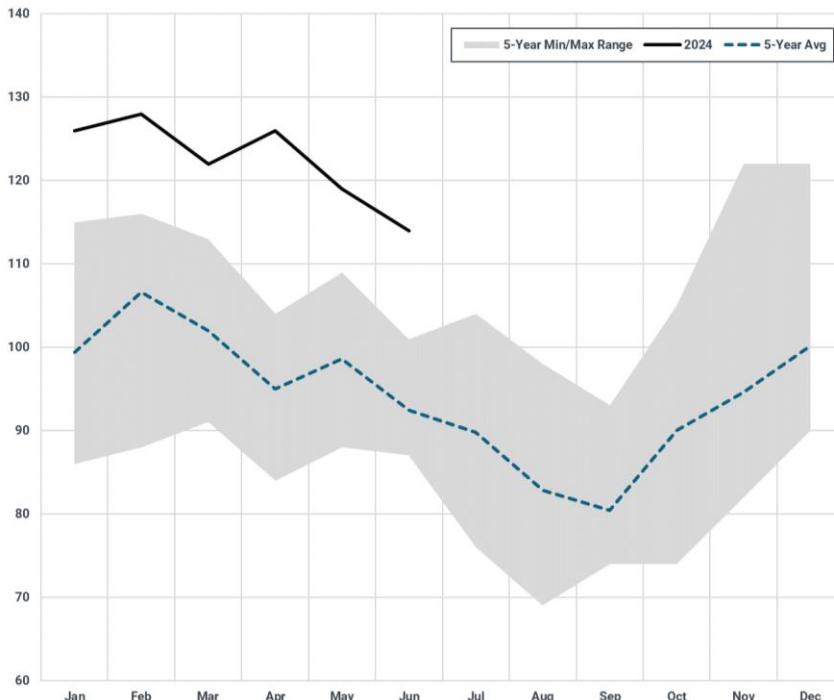


# Power: Supply and Demand in EU 27

In the first half of the 2024, low-carbon generation hits new records amid demand destruction

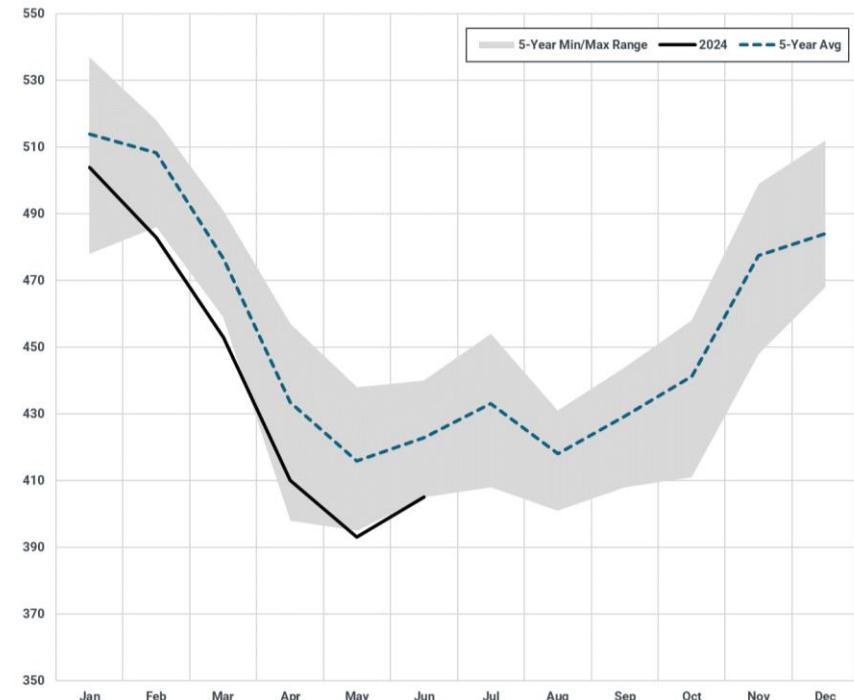
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## Monthly Seasonal EU 27 Renewables Power Production (GW)



Source: Kpler; renewables includes solar, wind, geothermal, marine, and hydropower

## Monthly Seasonal EU 27 Power Load (GW)



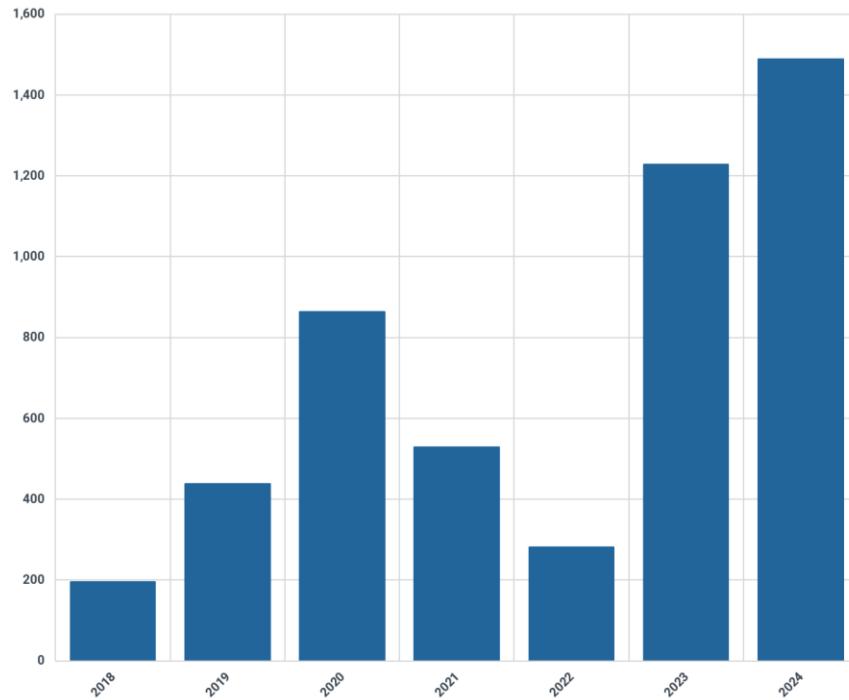
Source: Kpler

# Power: Price and Expectations

26

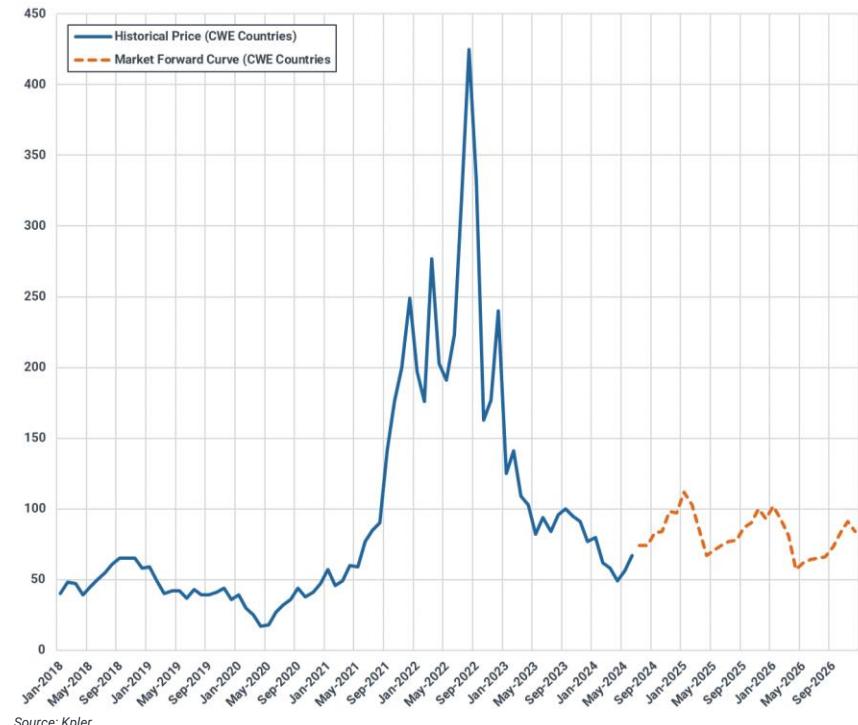
Negative price trend to remain over coming years; our forecast for summer prices below market forwards

## Yearly Number of Negative Power Price Hours (CWE Countries)



Source: Kpler

## Daily Power Spot and Futures Prices (€/MWh)



Source: Kpler

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# Grains and Oilseeds

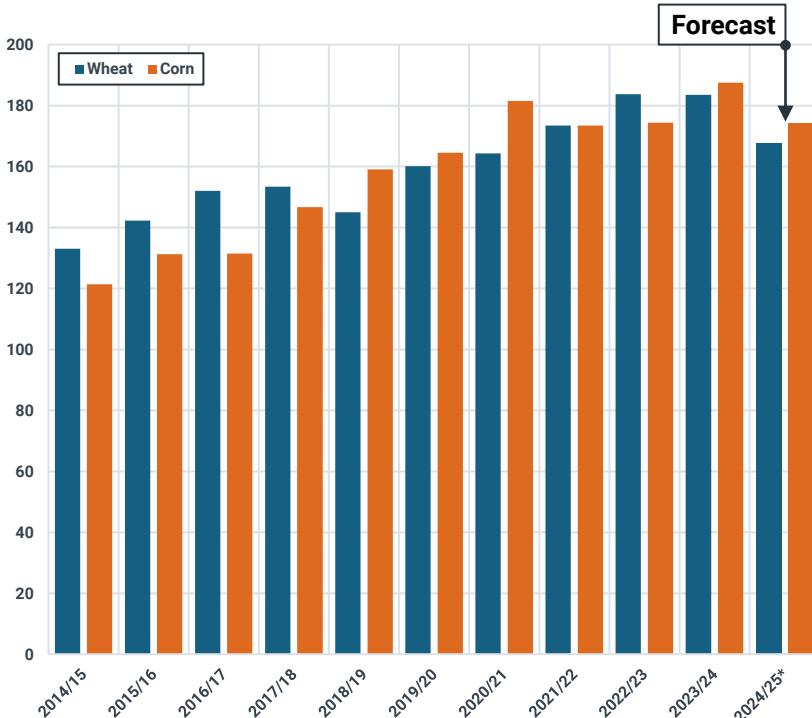


# Wheat: 2024/25 Trade Expected to Decelerate

Lower supplies and higher spread vs corn should minimize wheat feeding in Europe and Asia

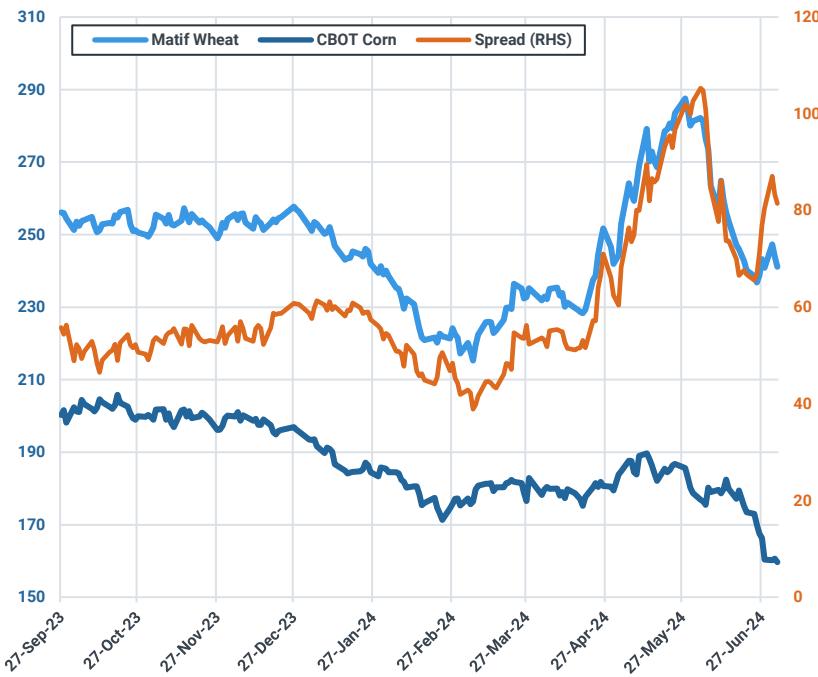
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Yearly Global Wheat and Corn Trade (Jul to Jun, Mt)



Source: Kpler

Wheat-Corn Spread (Sep'24 futures, \$/t)

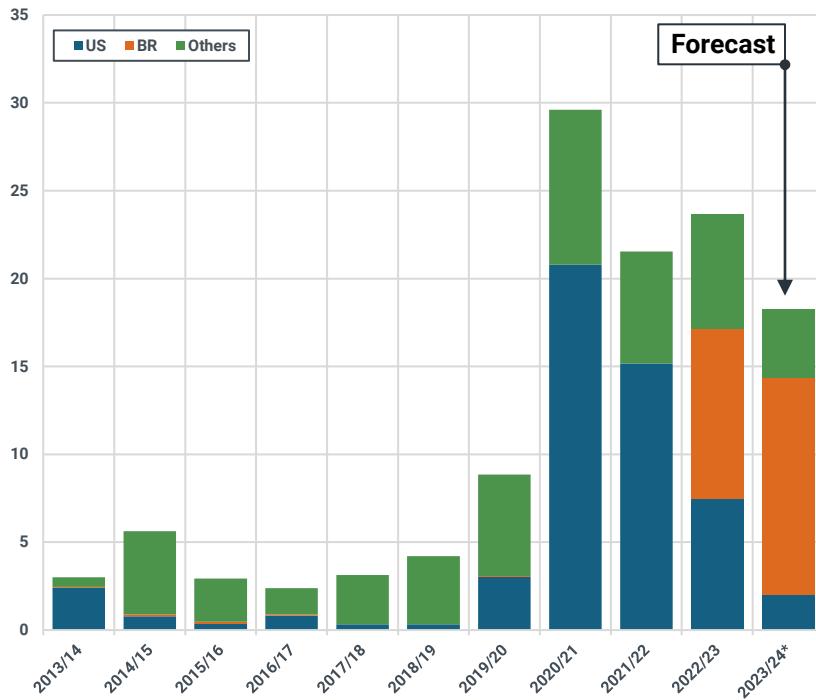


Source: Kpler

# Corn and Soybean: China Reduces US Dependency

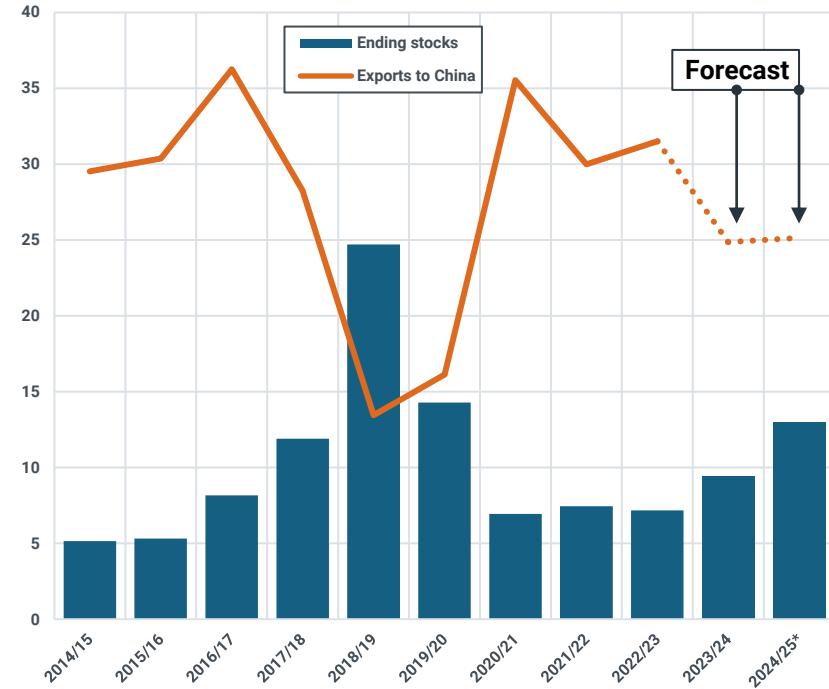
China turns towards Brazil for corn and soybeans, will avoid US – looking closely at elections

Yearly Chinese Corn Imports (Oct to Sep) by Selected Origin (Mt)



Source: Kpler

Yearly US Soybean Exports to China and Ending Stocks (Sep-Aug, Mt)



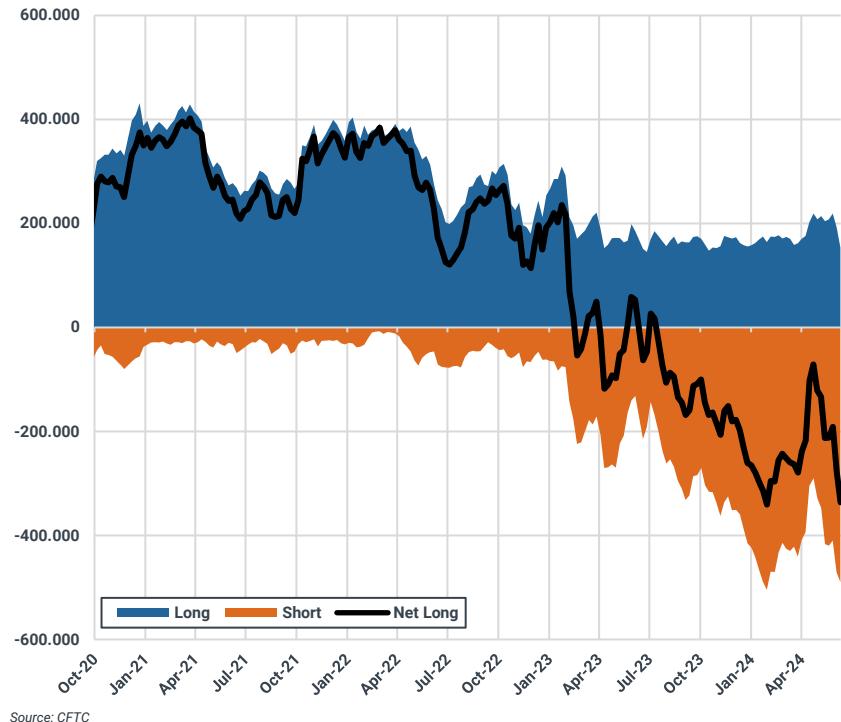
Source: Kpler

# Corn and Soybean: Positioning

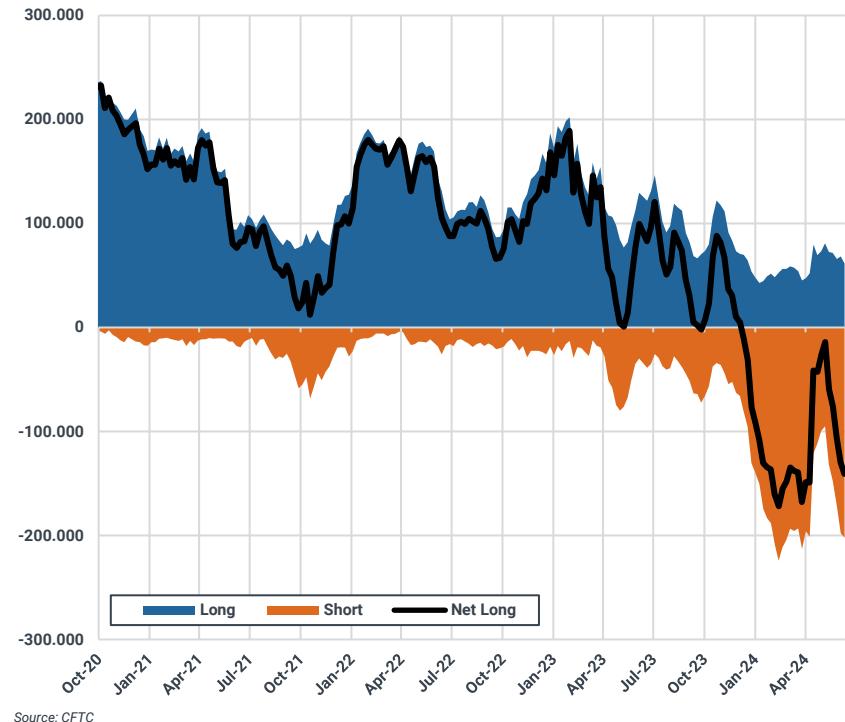
Speculative market positioning across corn and soy extremely weak

30

Weekly Speculative CBOT Corn Contract Positioning



Weekly Speculative CBOT Soybean Contract Positioning



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Q&A