



Macro and Cross Commodity Outlook

Thursday 11 July 2024

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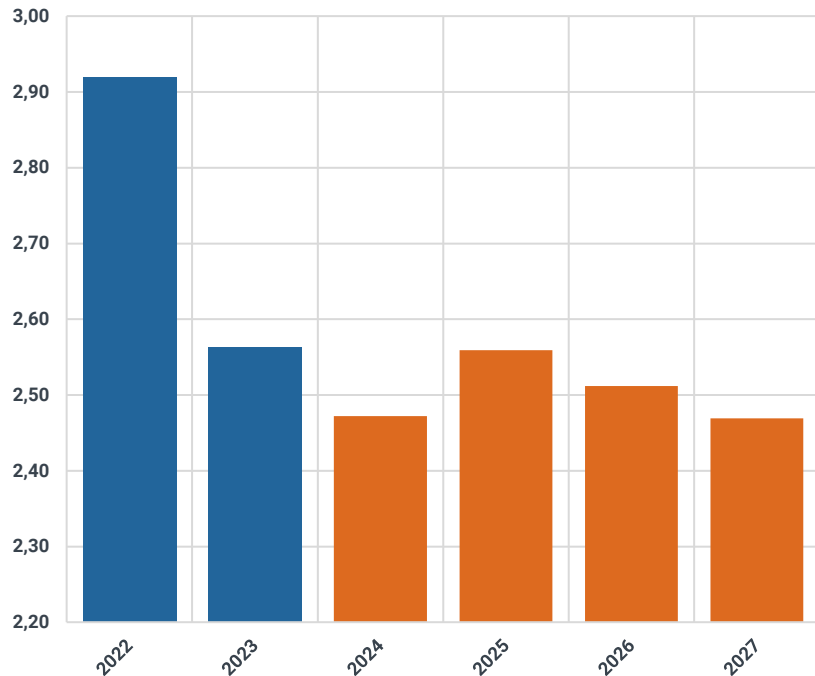
Macroeconomic Review



Global: Growth Outlook

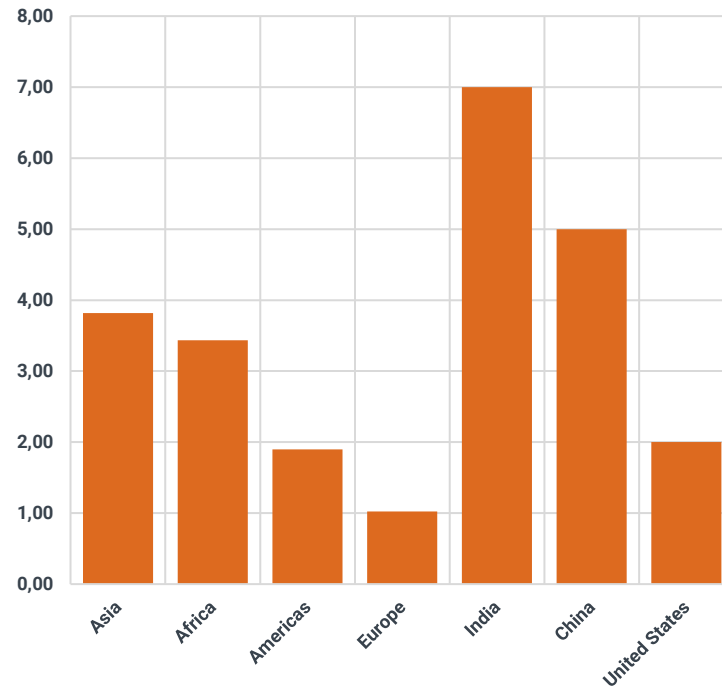
Global growth is set to finish at just under 2.5% this year

Yearly World Real GDP Growth Forecast (%)



Source: Kpler, various international organizations

2024 GDP Growth Forecast by Region (%)



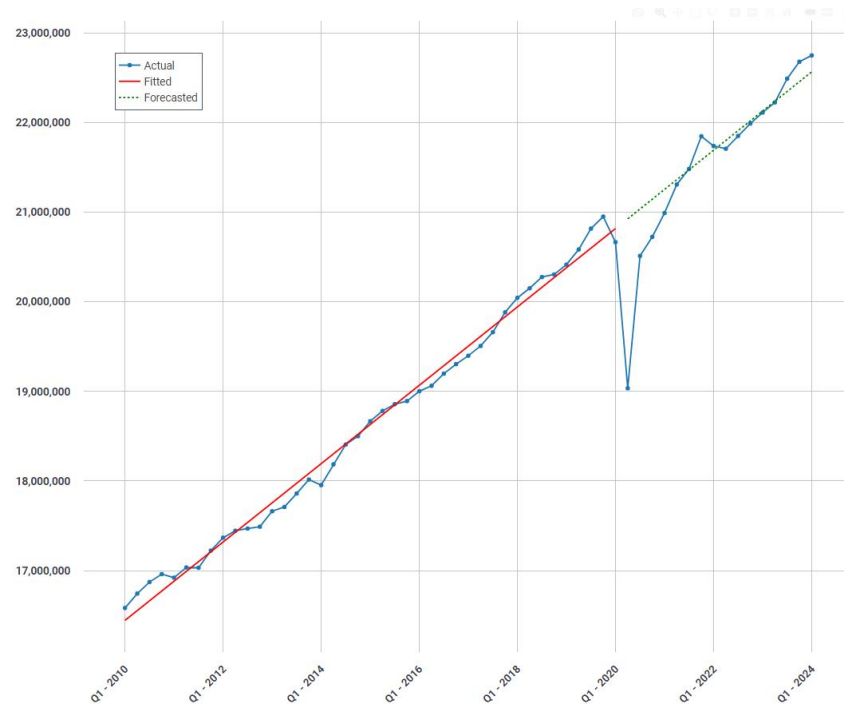
Source: Kpler, various international organizations

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)



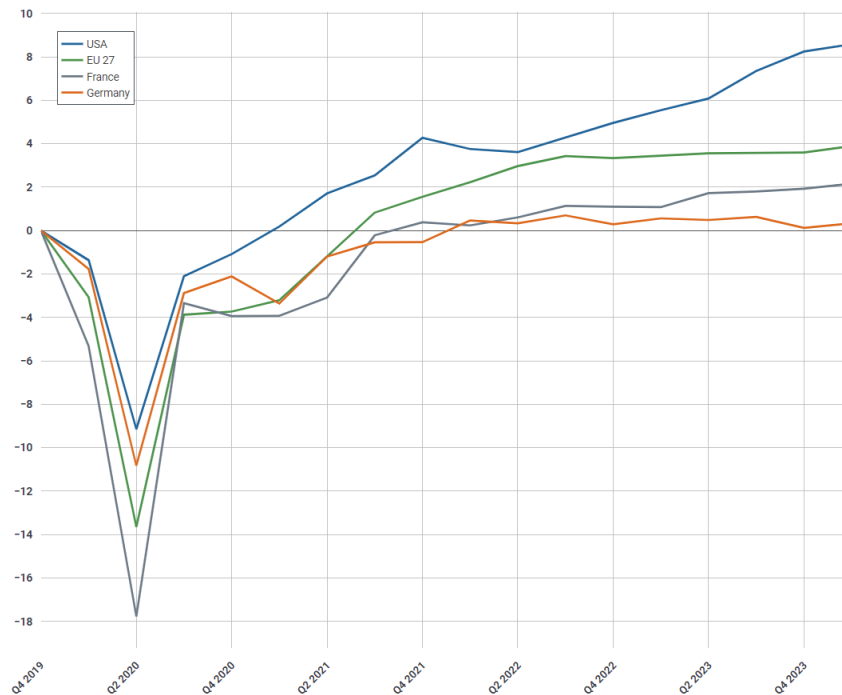
Source: BEA

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 (%)



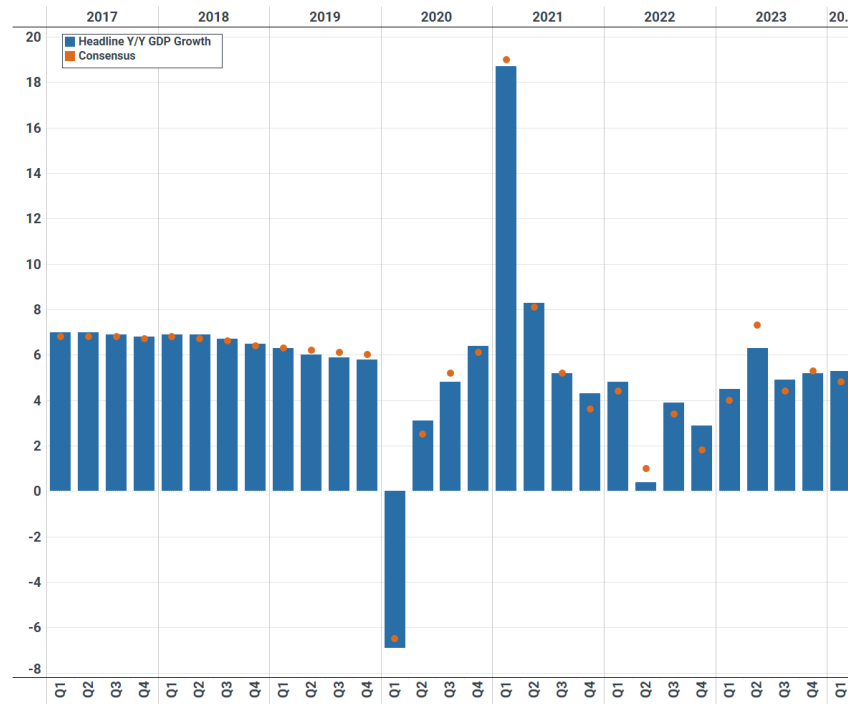
Source: EuroStat, BEA

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 (%)



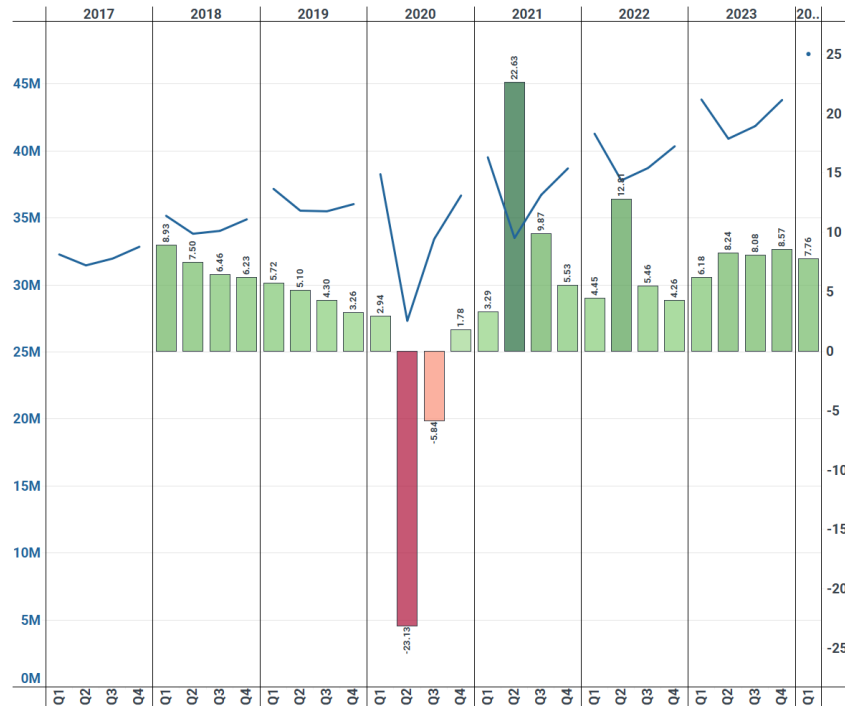
Source: NBS

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 expanding 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: MoSPI

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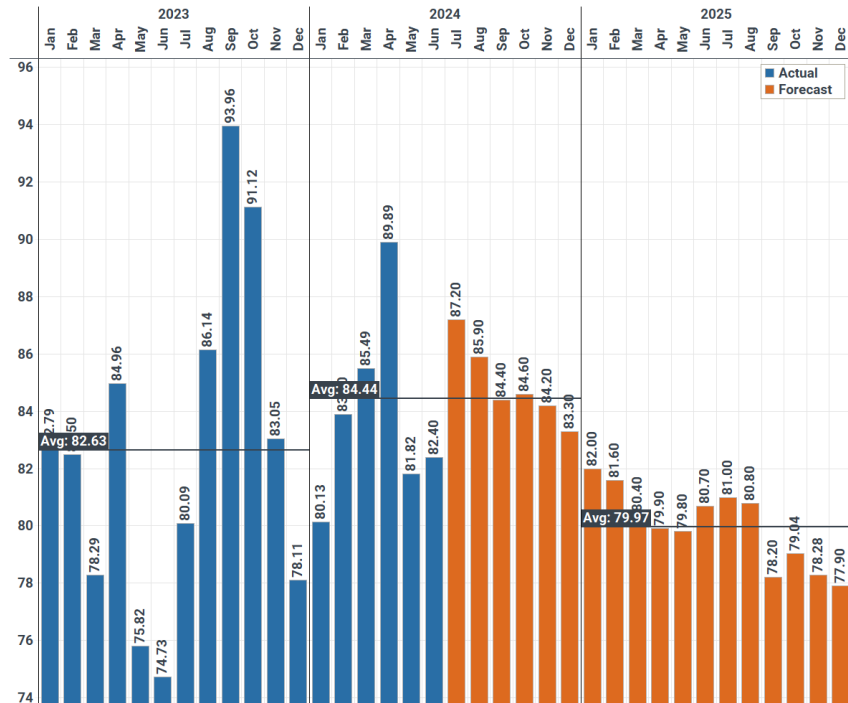
Crude Oil



Crude Oil: Price Forecast and Positioning

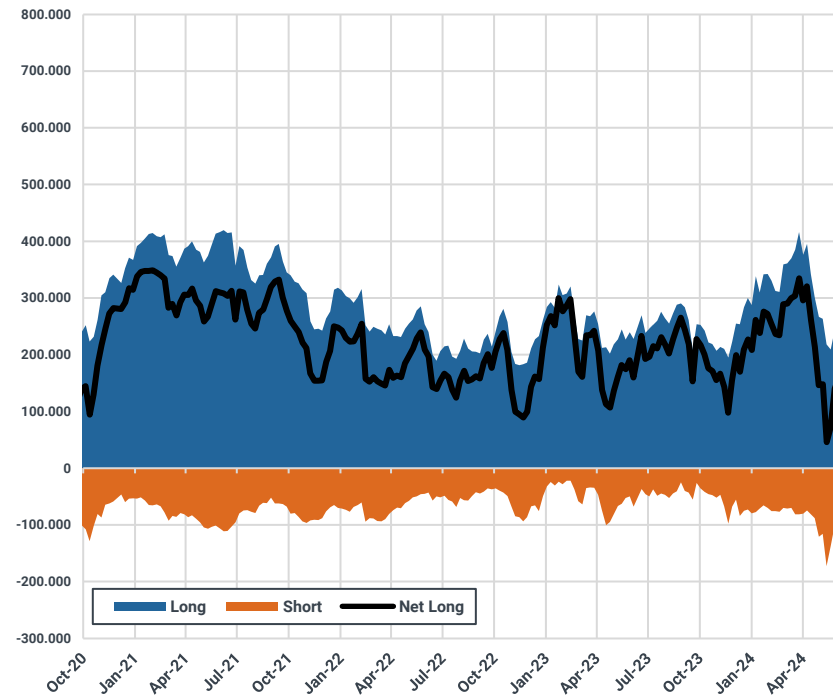
Prices will continue to find support through the summer before easing into the end of the year

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



Source: Kpler; forecast as of June 1, 2024

Weekly Speculative Brent Contract Positioning

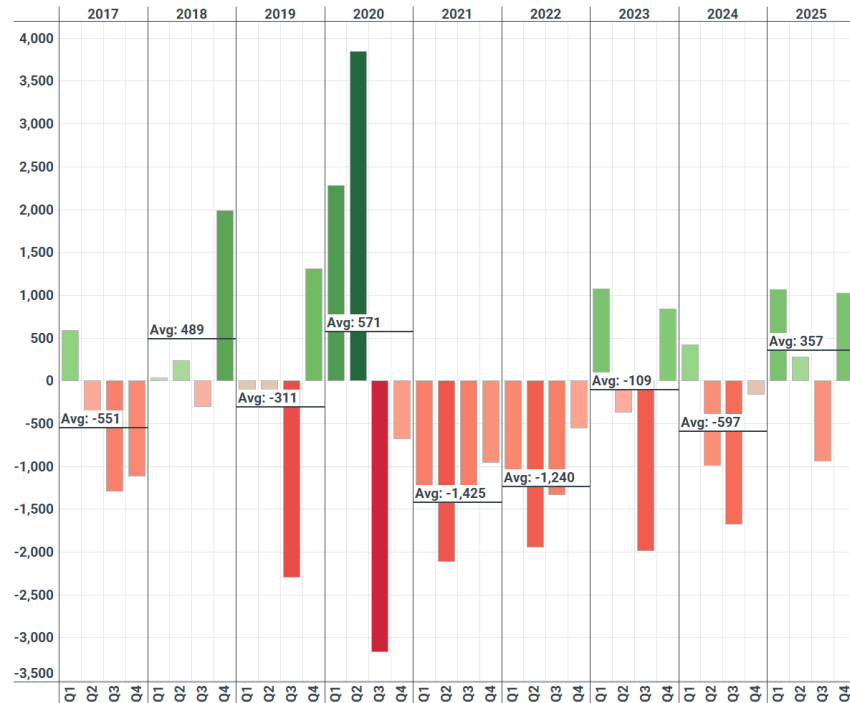


Source: CFTC

Crude Oil: Balance and Onshore Inventories

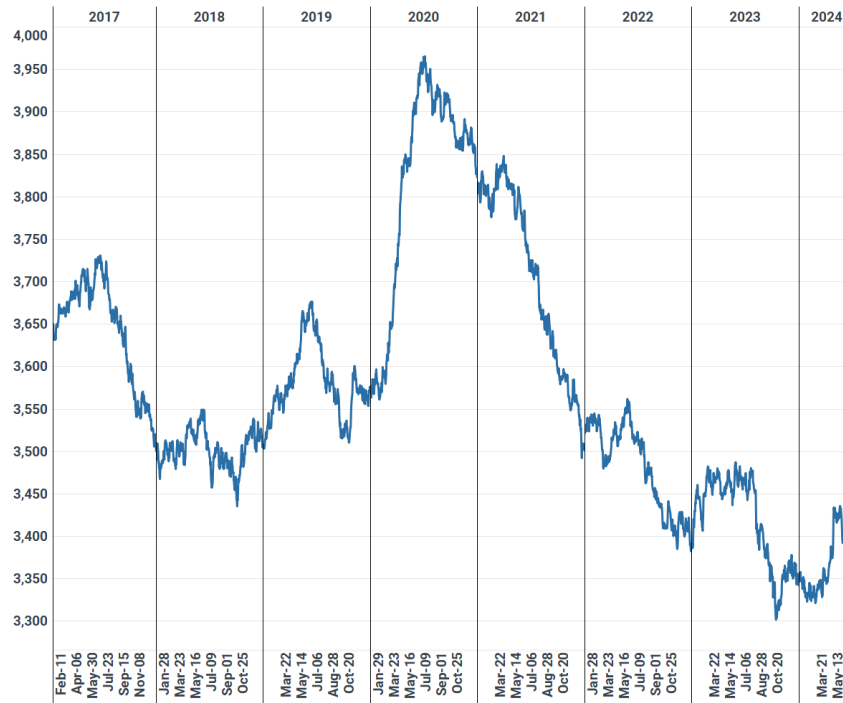
Balance will be significantly less negative in Q3 2024 relative to year earlier levels

Quarterly Global Oil Supply/Demand Balance (kbd)



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

Daily Global Onshore Oil Inventories (Mb)



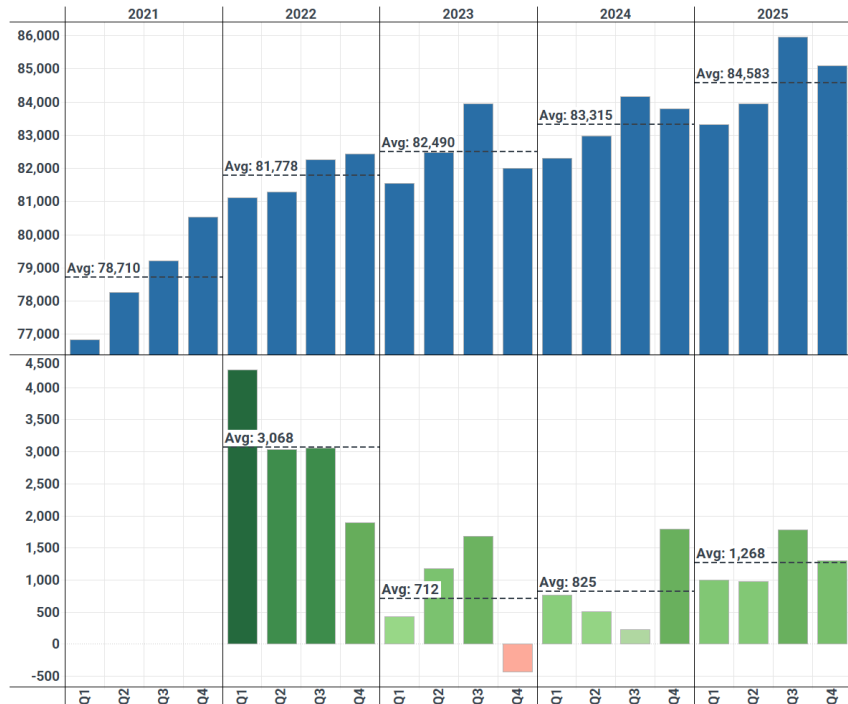
Source: Kpler

Crude Oil: Supply and Demand

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

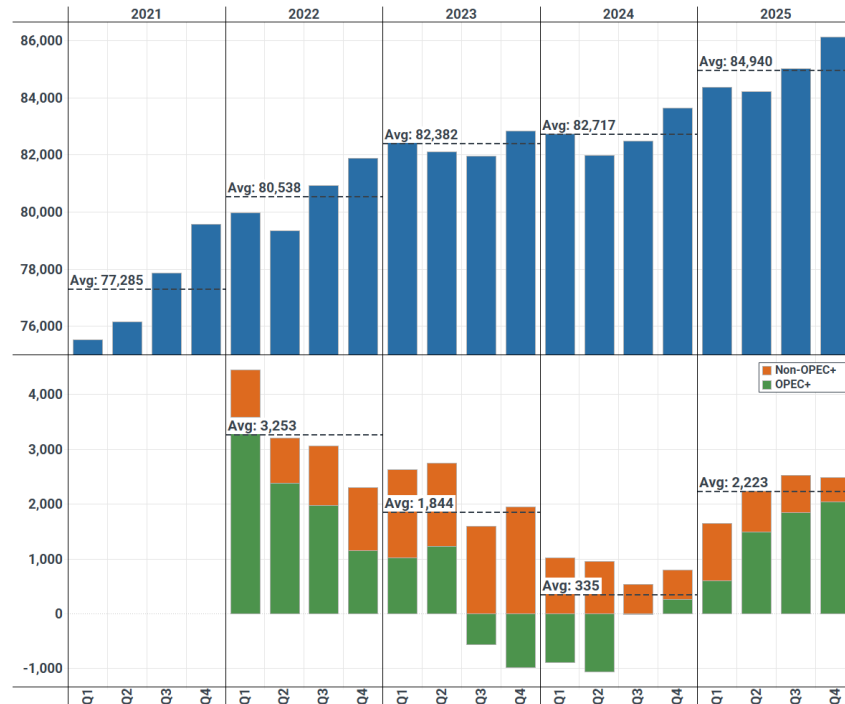
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Quarterly Global Oil + Condensate Demand (kbd, top) and Y/Y Delta (kbd, bottom)



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

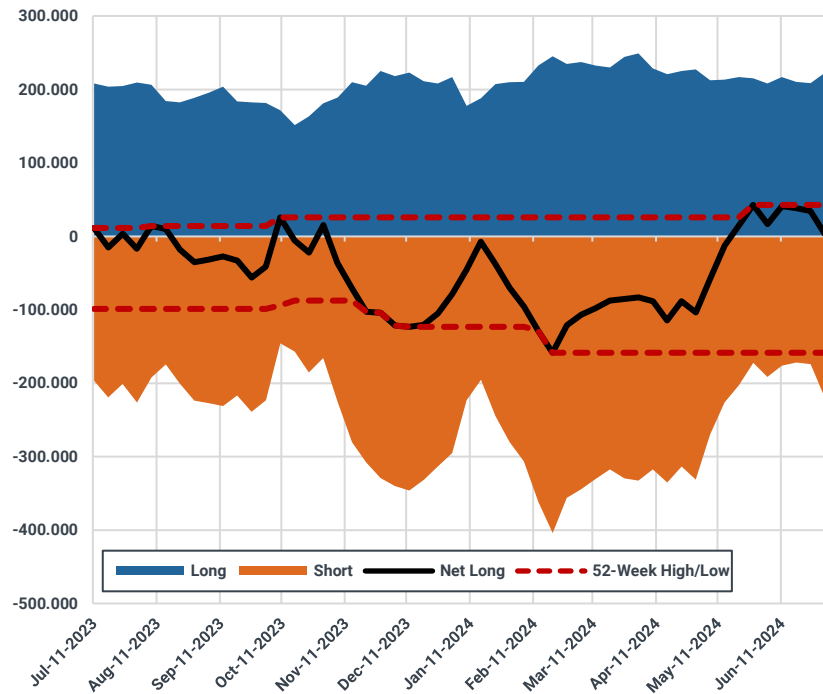


Natural Gas: United States

Supply reductions and demand growth this summer contributing to bullish sentiment

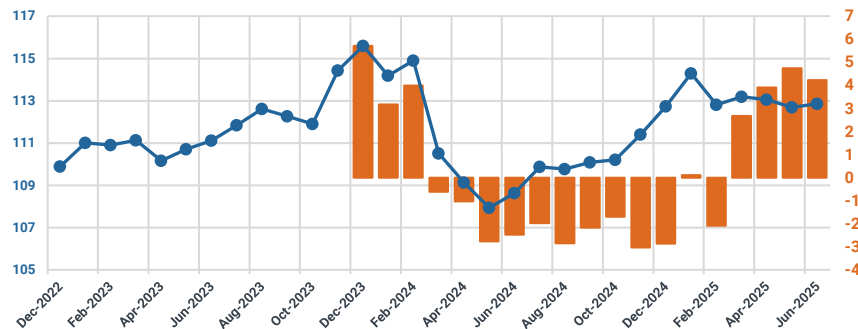
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Weekly Speculative US Natural Gas Contract Positioning

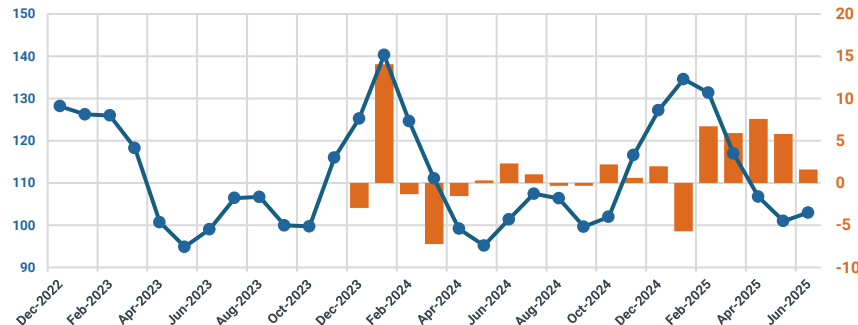


Source: CFTC

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

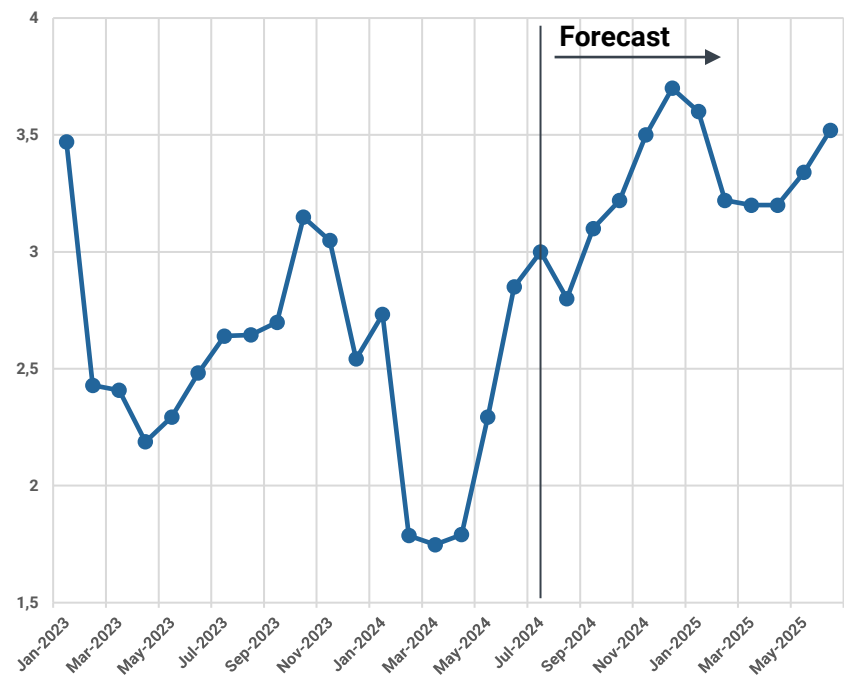


Source: Kpler, EIA

Natural Gas: United States

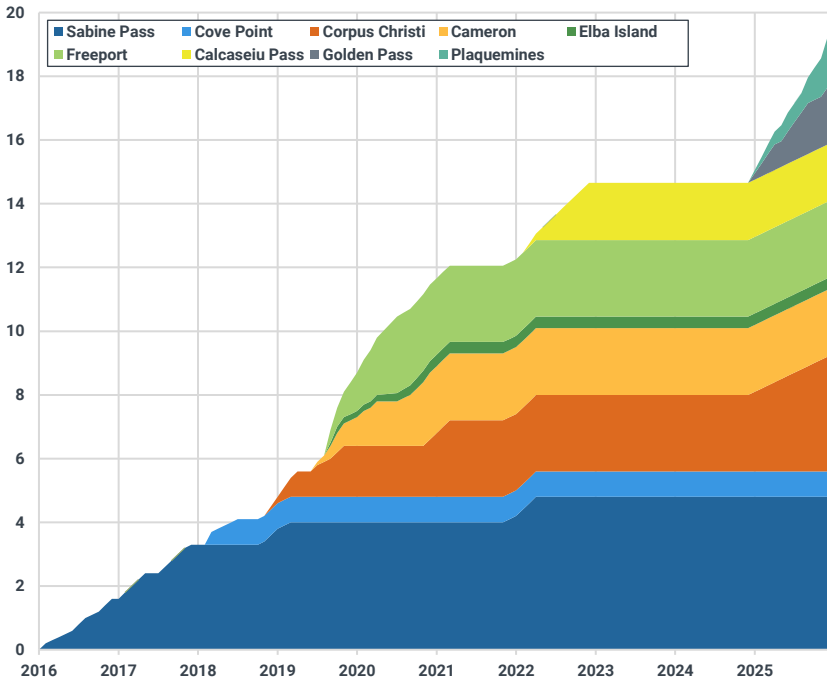
LNG export capacity additions should provide Henry Hub price support into 2025

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



Source: Kpler, NYMEX

Monthly US LNG Export Capacity by Plant (bcfd)



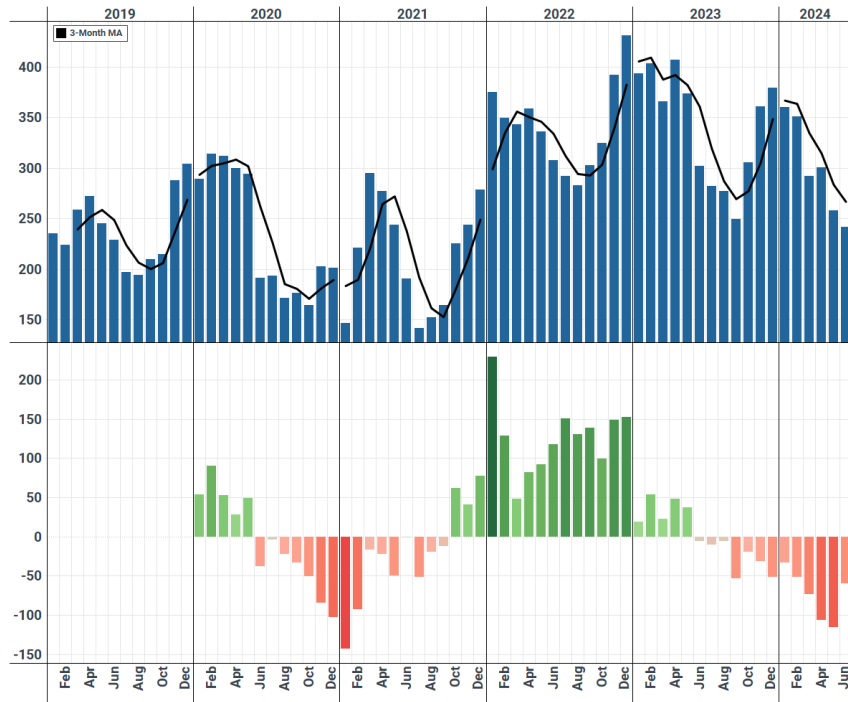
Source: Kpler, EIA

Natural Gas: Europe

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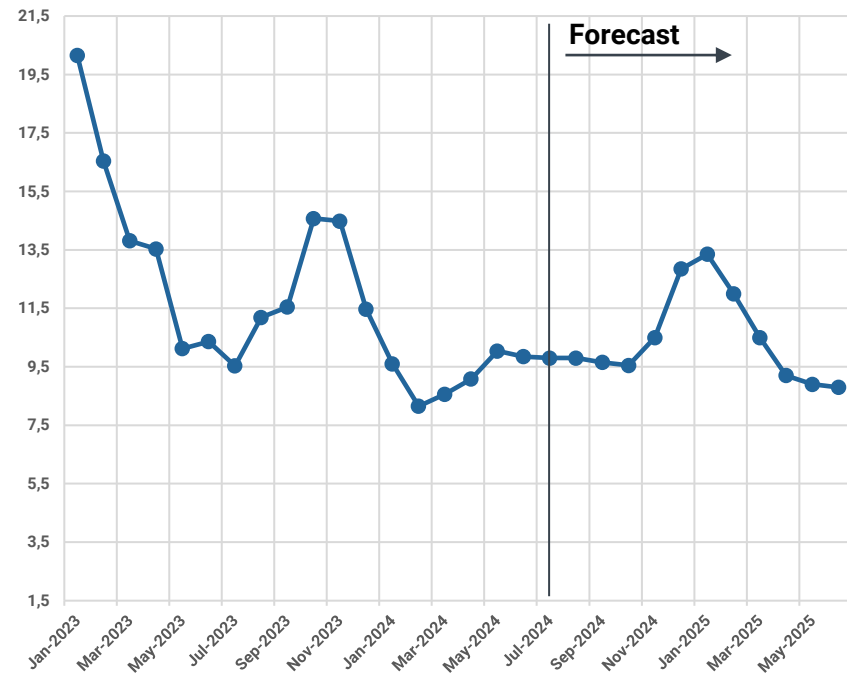
Prices broadly flat to lower y/y over the next year amid weak demand and additional LNG capacity in 2025

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)



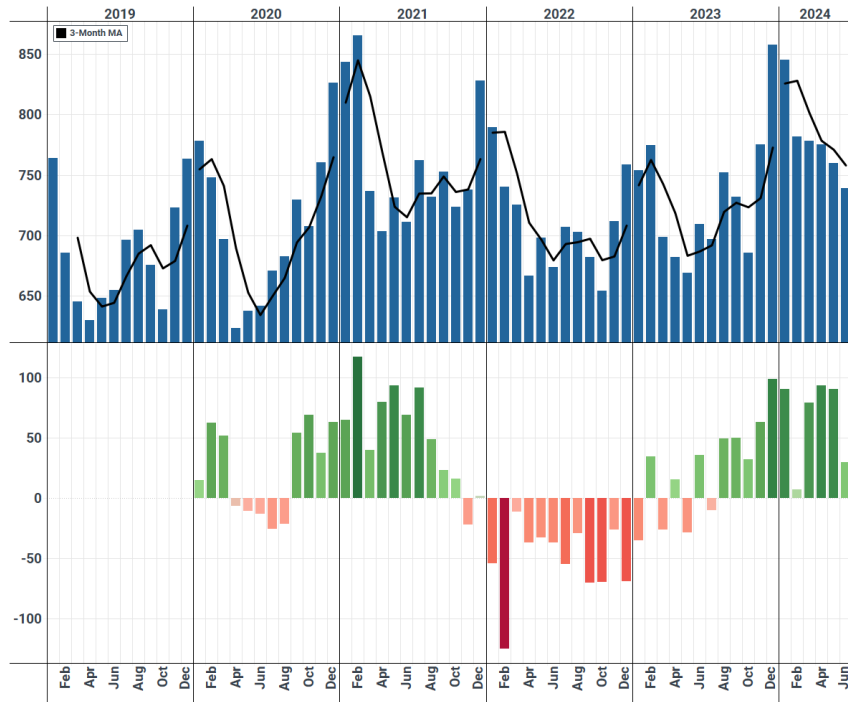
Source: Kpler, ICE

Natural Gas: Asia

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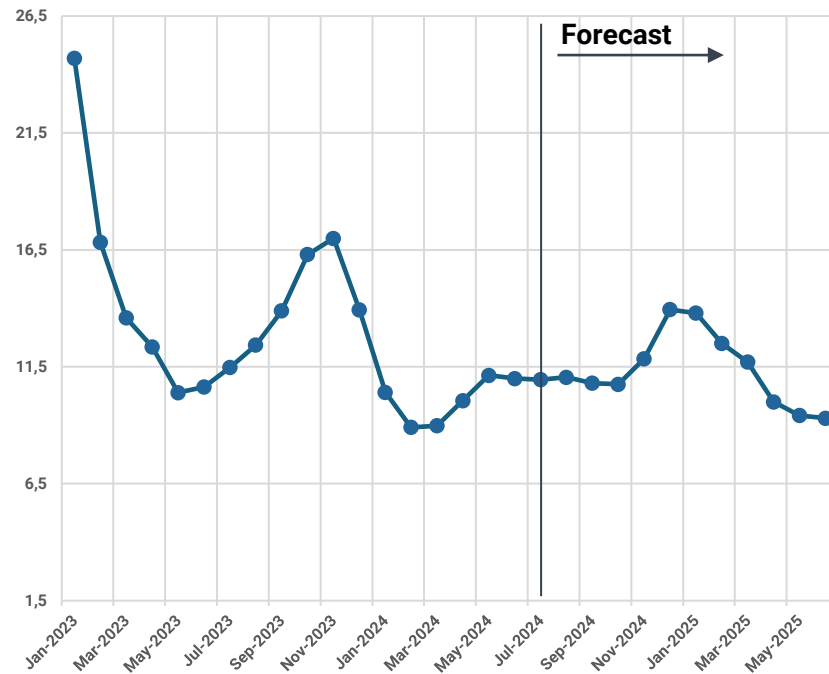
JKM will consistently sit at a small premium to TTF, but prices will remain well below year earlier levels this winter

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

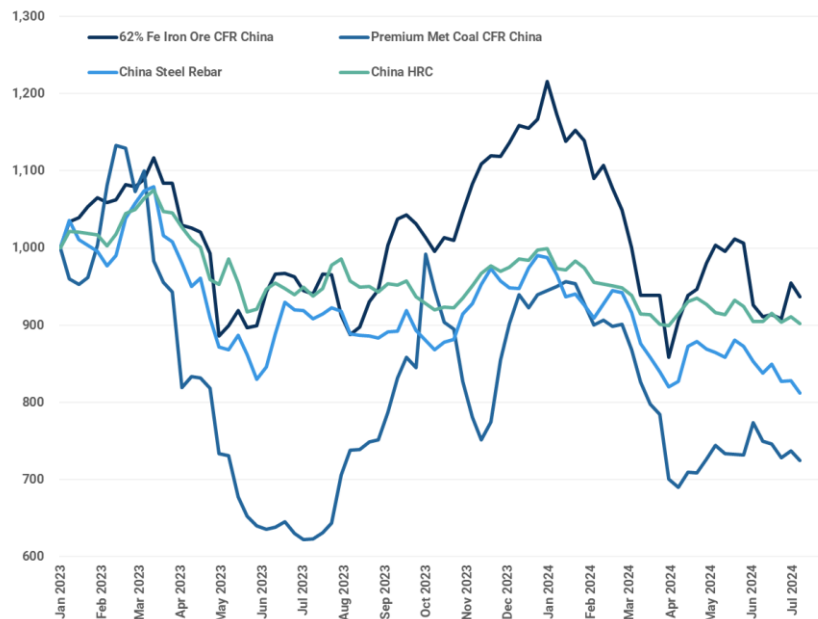
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Iron Ore and Copper



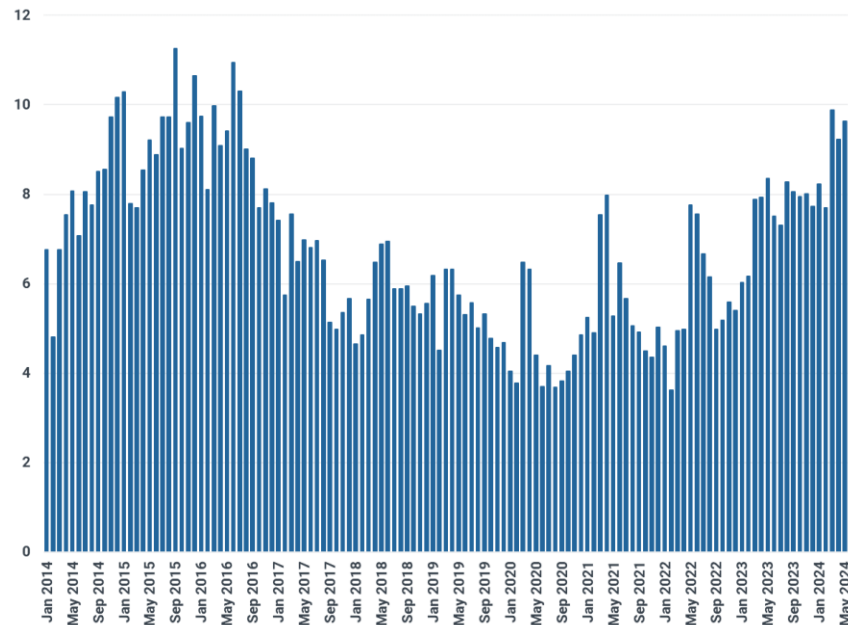
Crude steel production in China has accelerated, but domestic demand weakness has driven up steel product exports

Chinese steel-related commodity prices indexed



Source: MarketView/Kpler Insight

Chinese steel product exports surge (Mt)



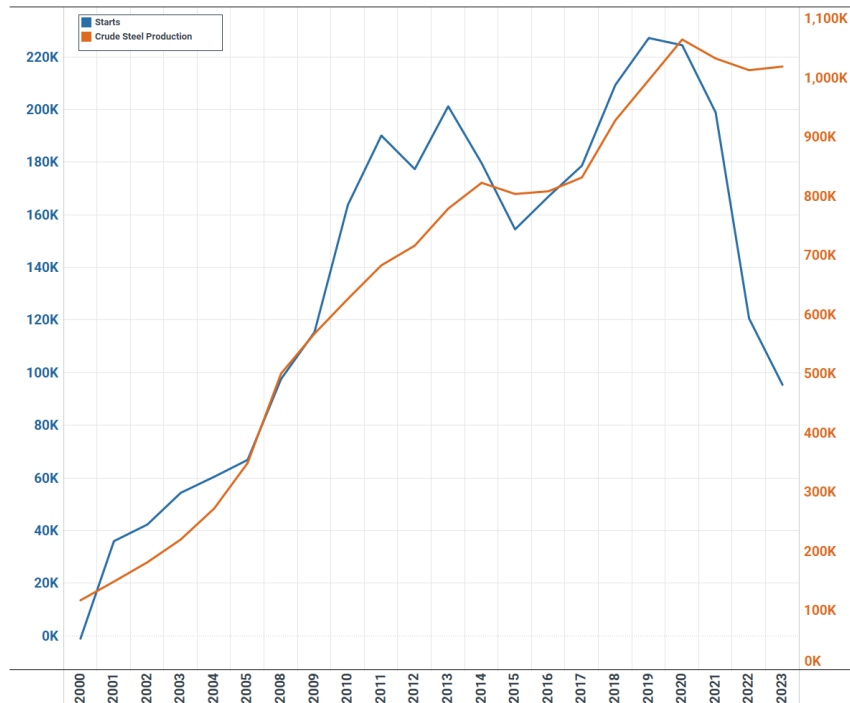
Source: China Iron and Steel Association

Iron Ore

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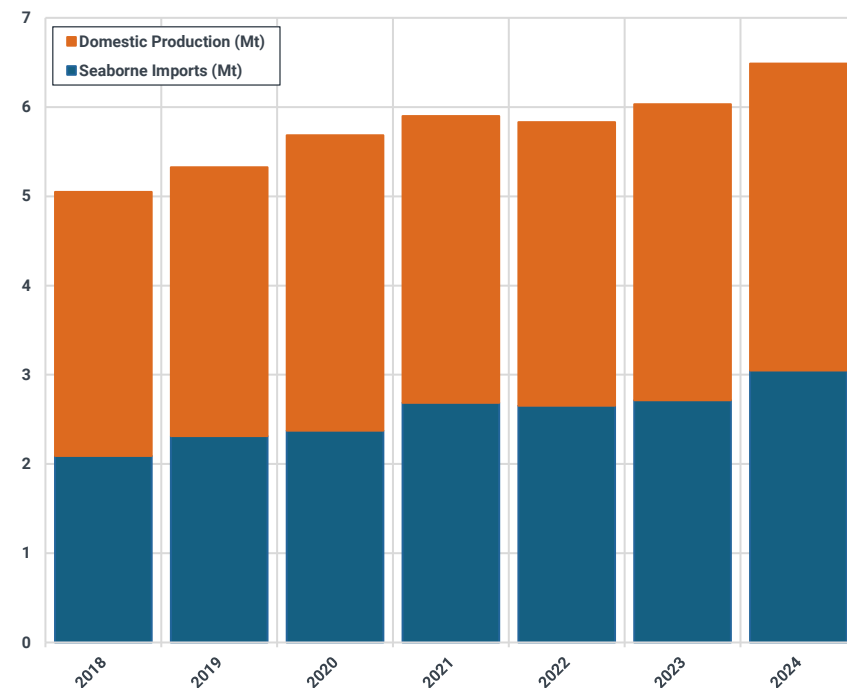
Chinese smelting demand has remained elevated, but reliance on exports becoming increasingly problematic

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



Source: NBS

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



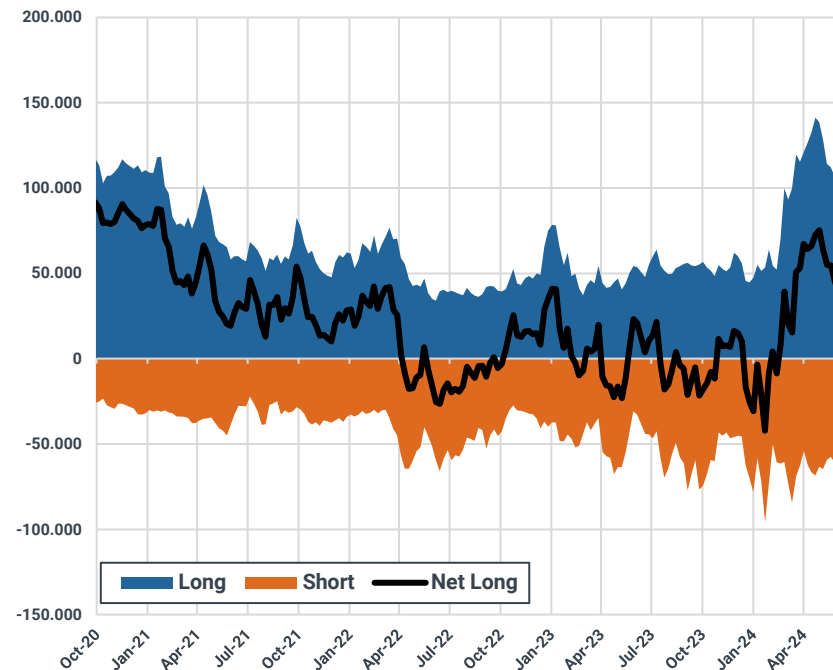
Source: Kpler, NBS; data for 2024 is a year-to-date calculation through April

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 Kamo-a-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

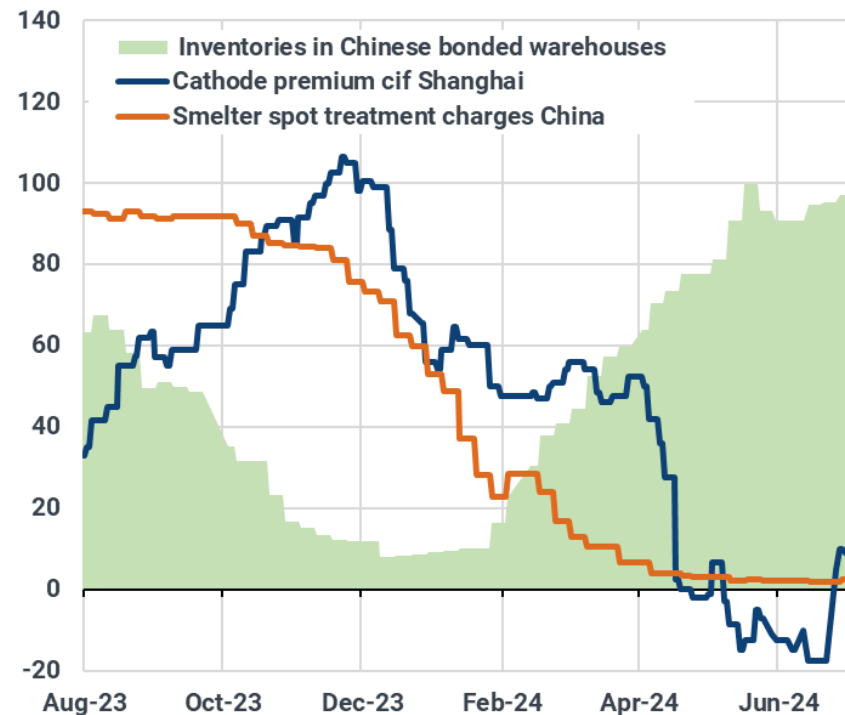
Copper: Demand

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 high 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]



Source: SMM, Argus Media

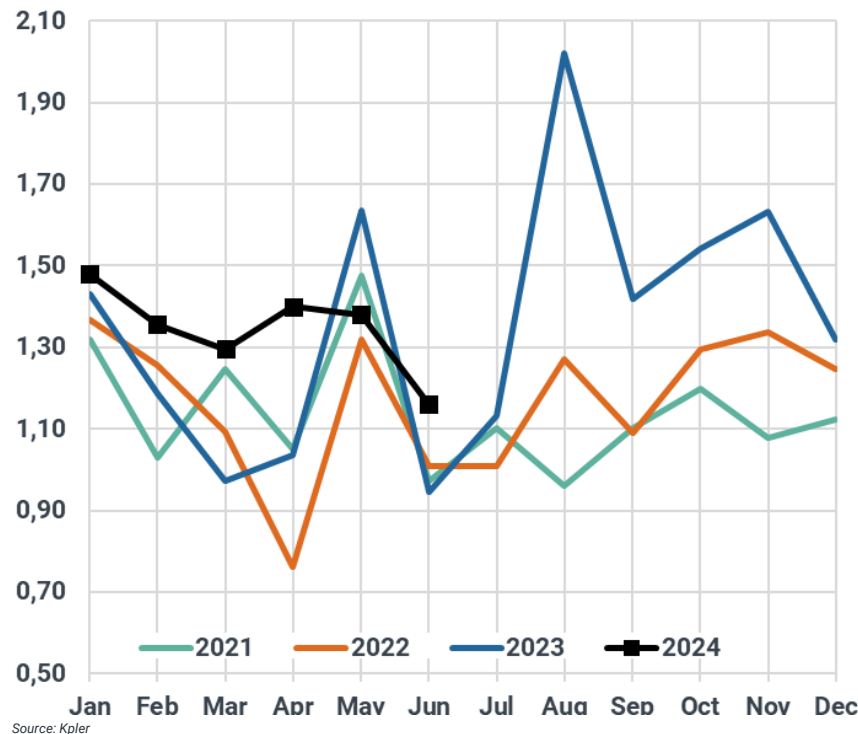
Copper: Demand

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]



Copper: Supply

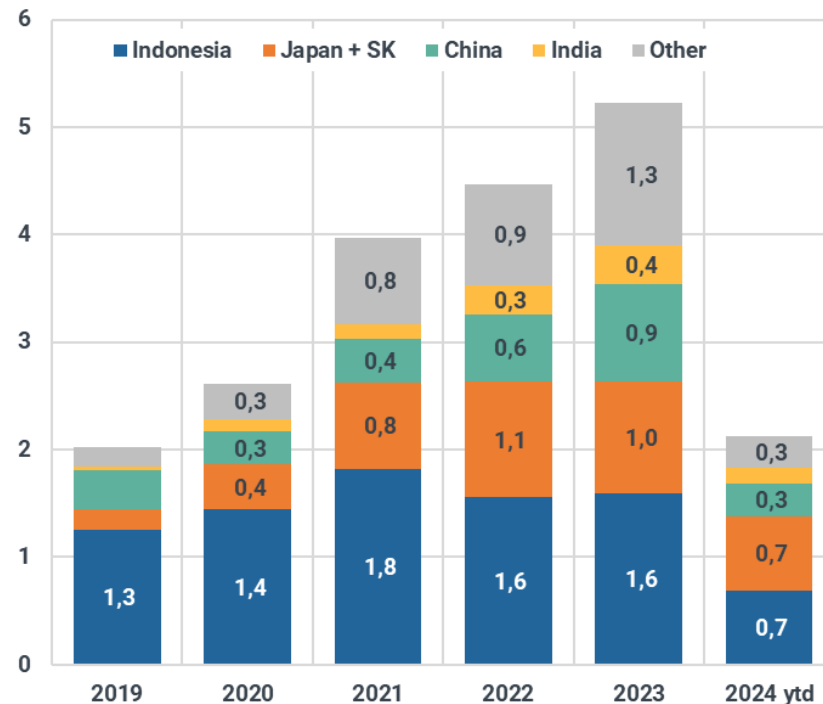
Indonesia's concentrate export ban – shifts in flows

- 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]



Source: Kpler

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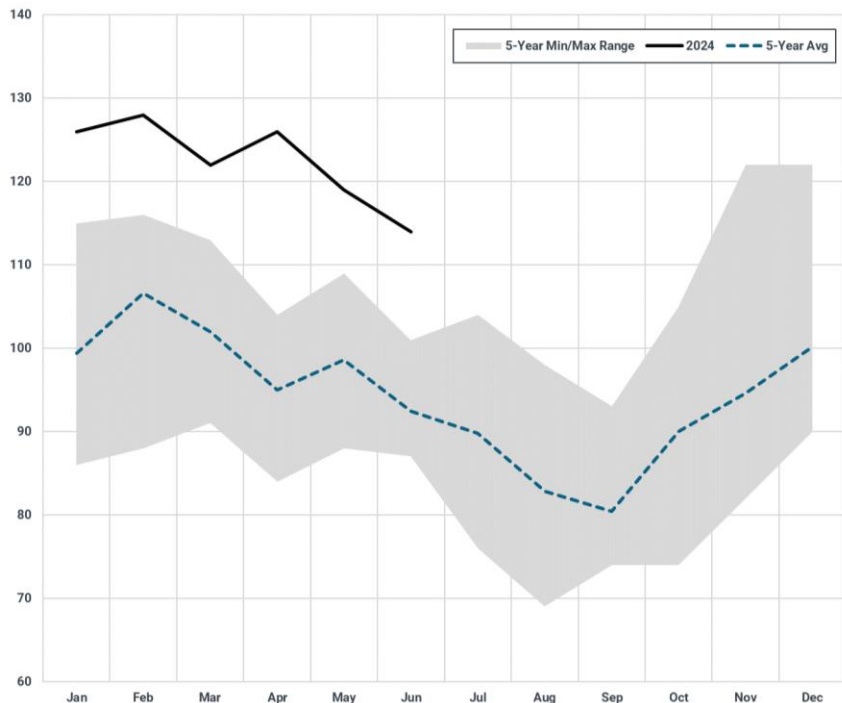
Power



Power: Supply and Demand in EU 27

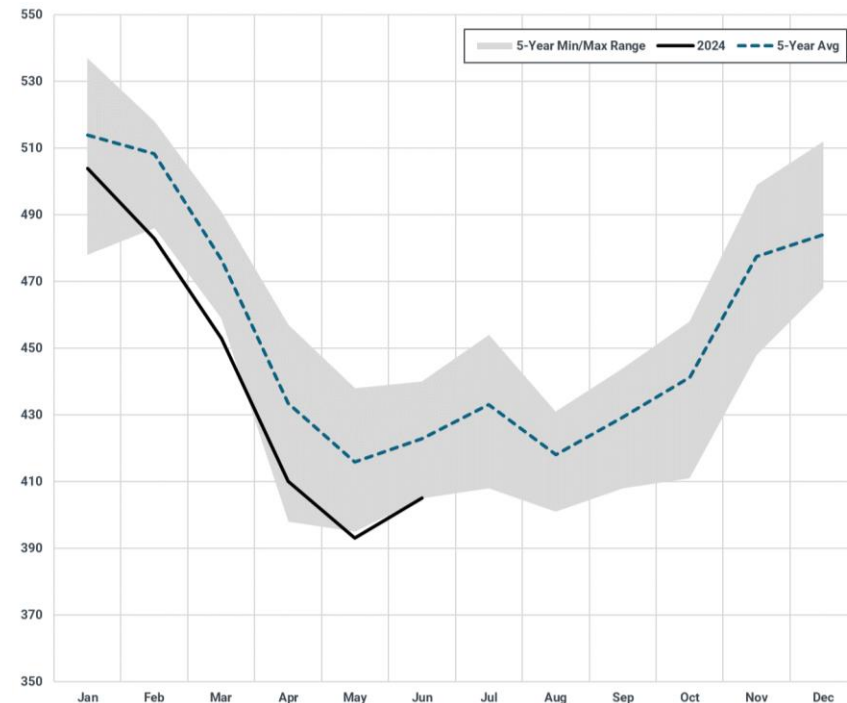
In the first half of the 2024, low-carbon generation hits new records amid demand destruction

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)

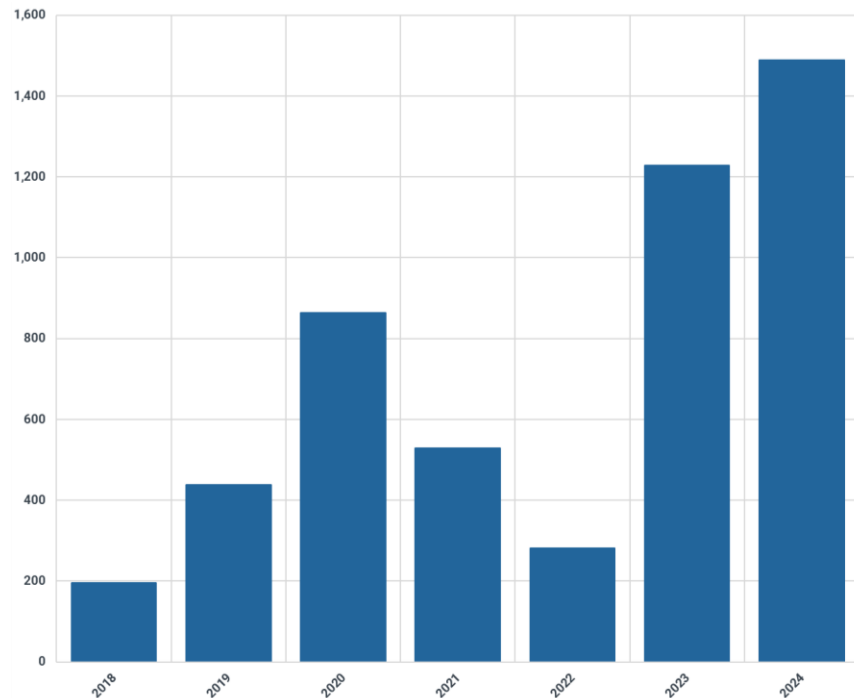


Source: Kpler

Power: Price and Expectations

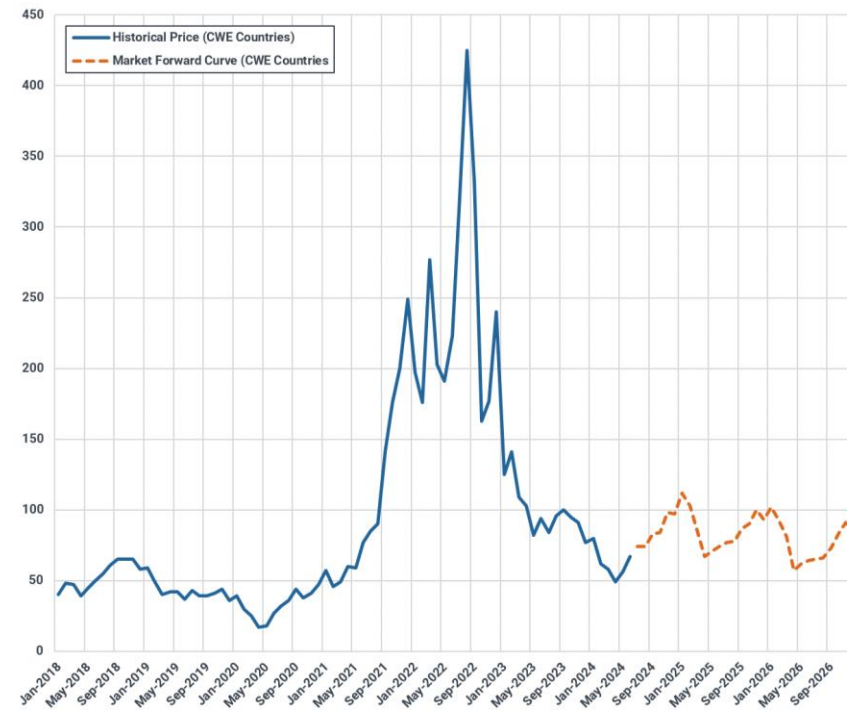
Negative price trend to remain over coming years; our forecast for summer prices below market forwards

Yearly Number of Negative Power Price Hours (CWE Countries)



Source: Kpler

Daily Power Spot and Futures Prices (€/MWh)



Source: Kpler

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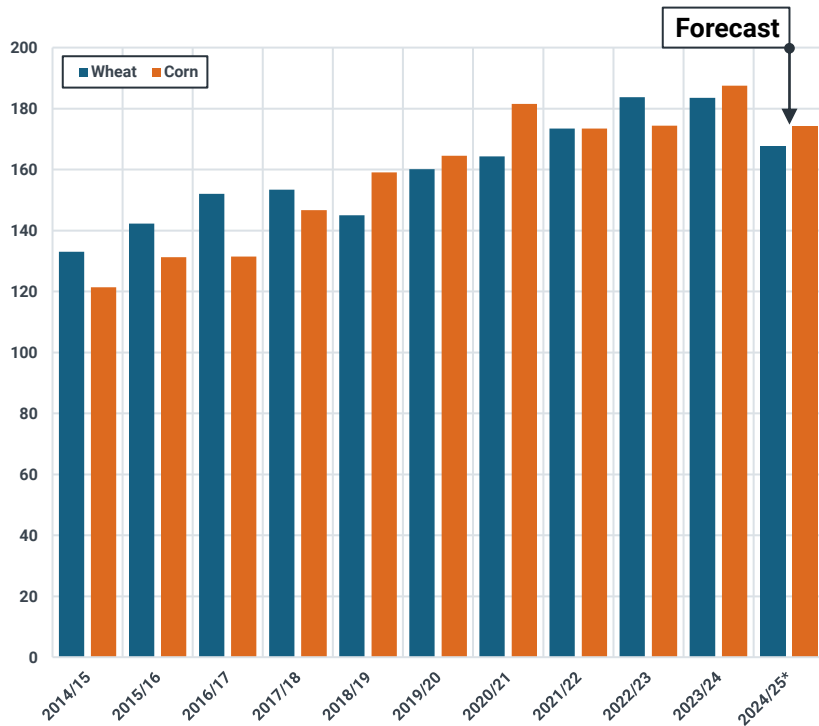
Grains and Oilseeds



Wheat: 2024/25 Trade Expected to Decelerate

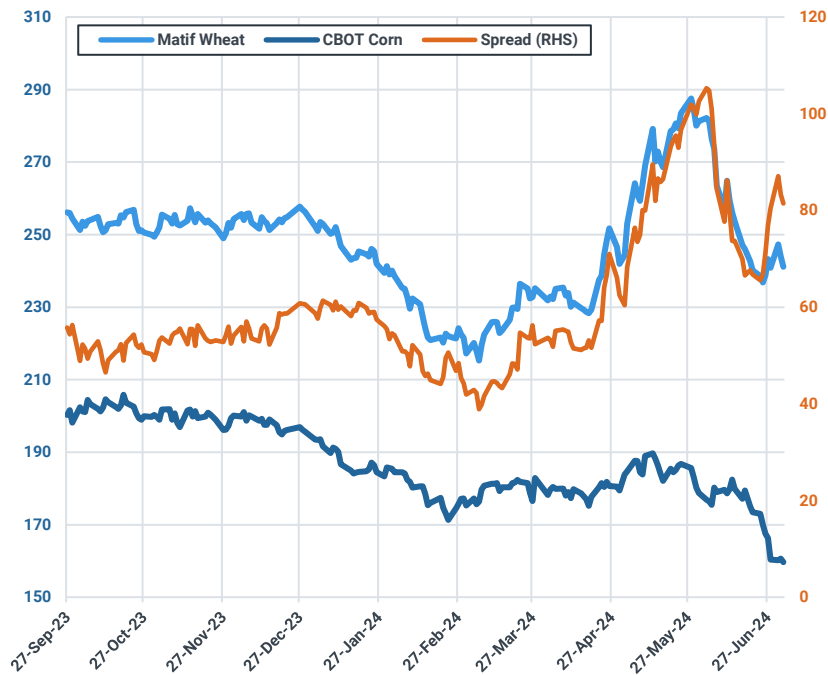
Lower supplies and higher spread vs corn should minimize wheat feeding in Europe and Asia

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



Source: Kpler

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



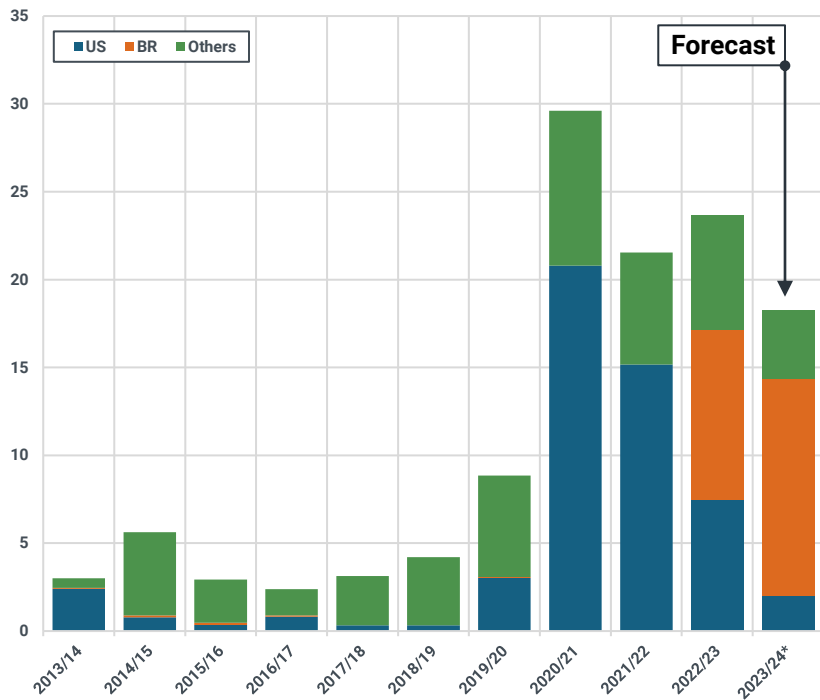
Source: Kpler

Corn and Soybean: China Reduces US Dependency

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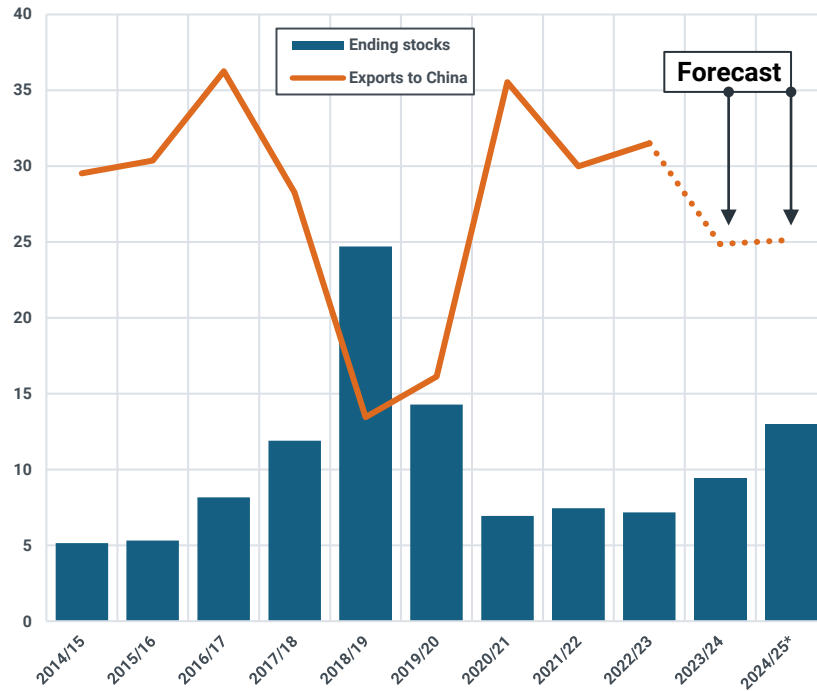
China turns towards Brazil for corn and soybeans, will avoid US – looking closely at elections

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)



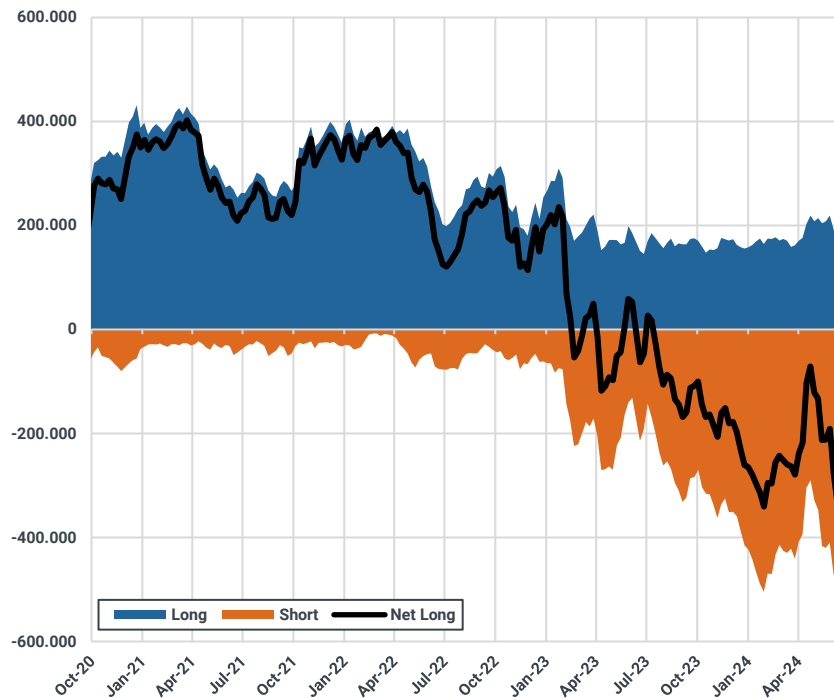
Source: Kpler

Corn and Soybean: Positioning

Speculative market positioning across corn and soy extremely weak

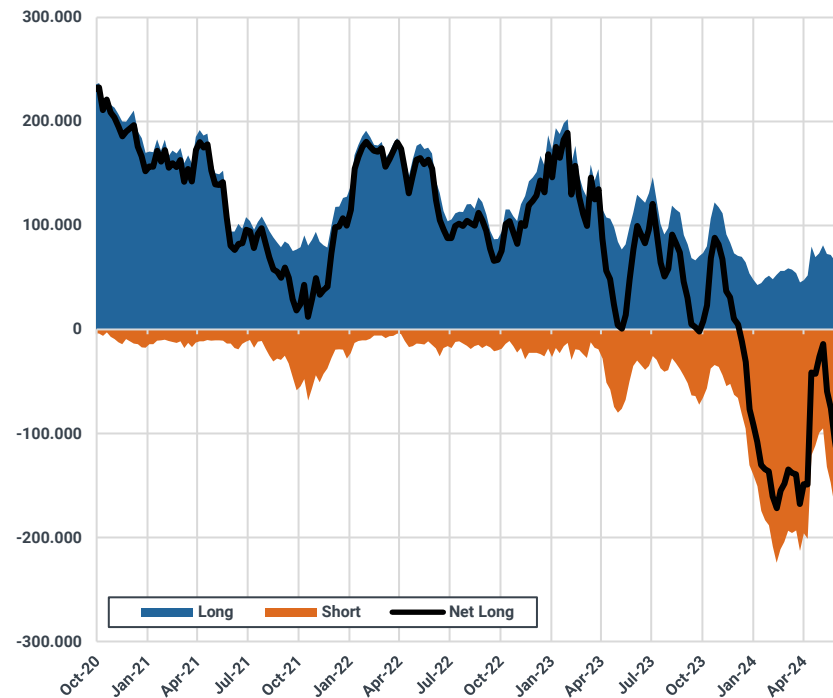
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Weekly Speculative CBOT Corn Contract Positioning



Source: CFTC

Weekly Speculative CBOT Soybean Contract Positioning



Source: CFTC



Q&A