



From Policy to Pricing: Macro Trends & Commodity Cycles

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Macroeconomic Review

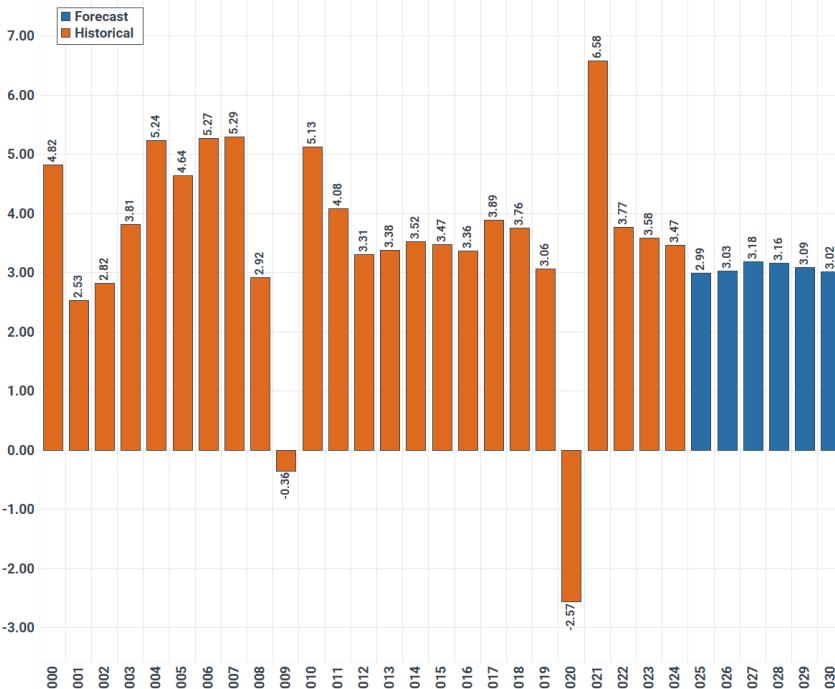


World: Global Growth Forecast

We assume global growth will finish at 3% this year, down from 3.5% last year

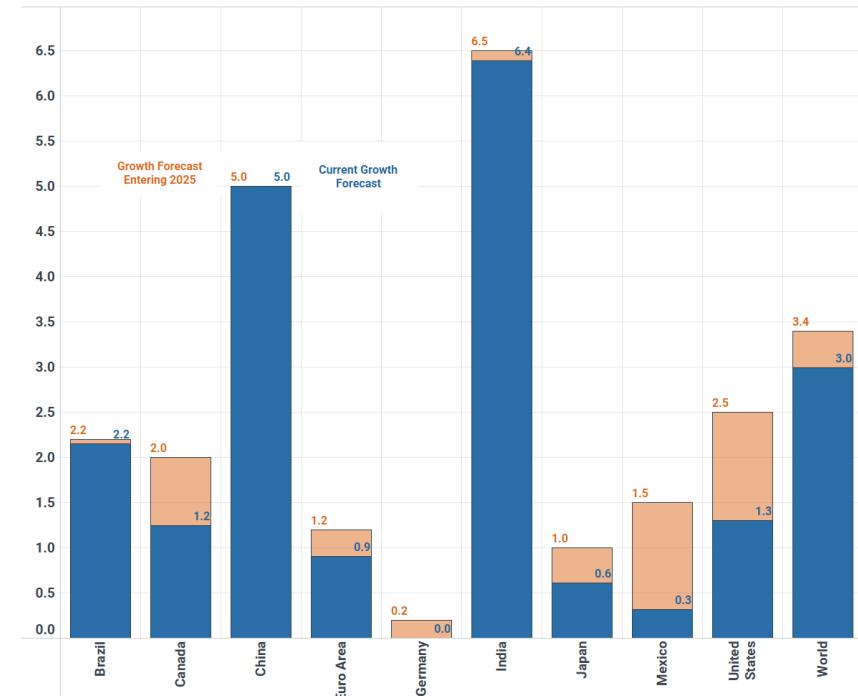
3

Yearly Global Real Headline GDP Growth with Forecast (%)



Source: Kpler, various international organizations

2025 Real Headline GDP Growth by Selected Regions (%)



Source: Kpler, various international organizations

United States: Economic Outlook

US growth set to finish well under 2% long run trend this year; outright recession unlikely

GDP Growth: US real GDP growth managed at just under 3% through both 2023 and 2024, well above the long-run average of 2%. Growth to decelerate to 1.3% this year.

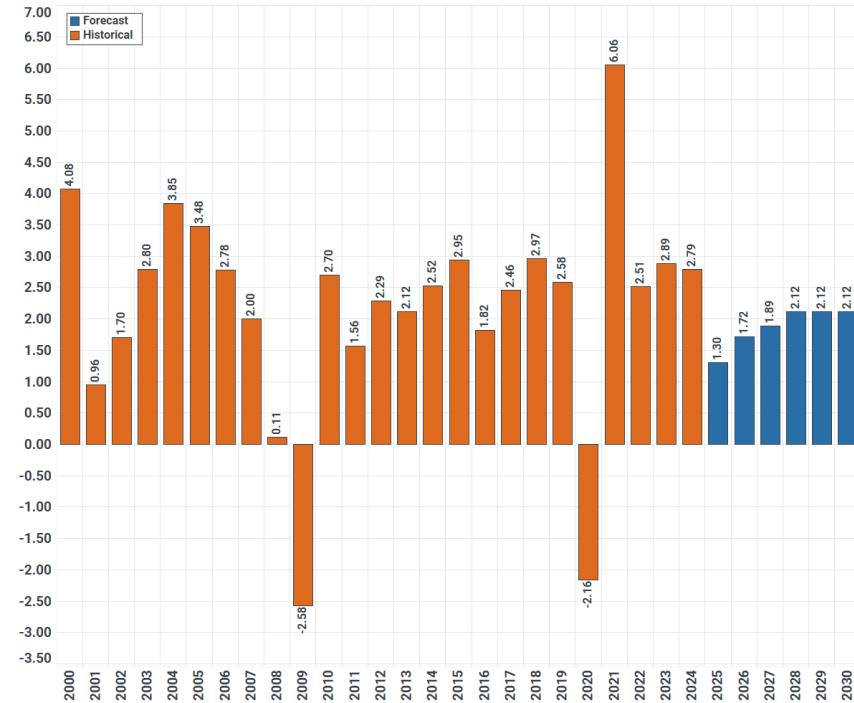
Inflation Concerns: CPI-based core inflation poised to remain sticky near 3% this year amid tariff policy.

Fed Policy: We tilt more hawkish with an expectation the Fed cuts no more than 25bp through the remainder of this year.

Trump Objectives: White House appears to be capitulating on goal to rebalance global trade.

1. Step back in escalation towards China, the country driving global imbalances.
2. Removal of Section 899 from Big Beautiful Bill, which would have taxed net inflows.
3. Big Beautiful Bill also exacerbates wealth inequality (makes it more difficult to establish domestic manufacturing base).

Yearly US Headline Real GDP Growth with Forecast (%)



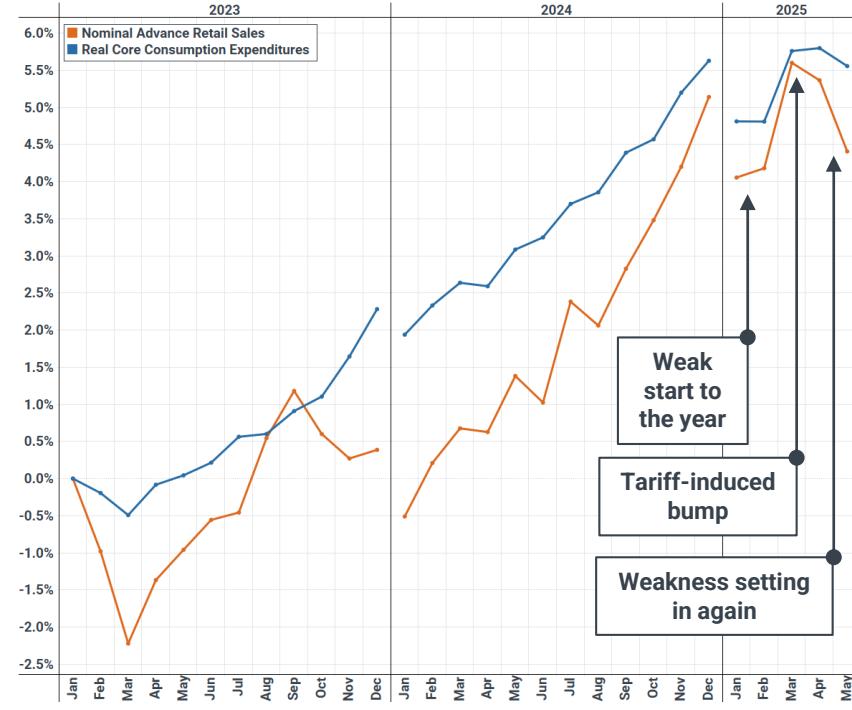
Source: BEA, Kpler, various international organizations

United States: Household Consumption

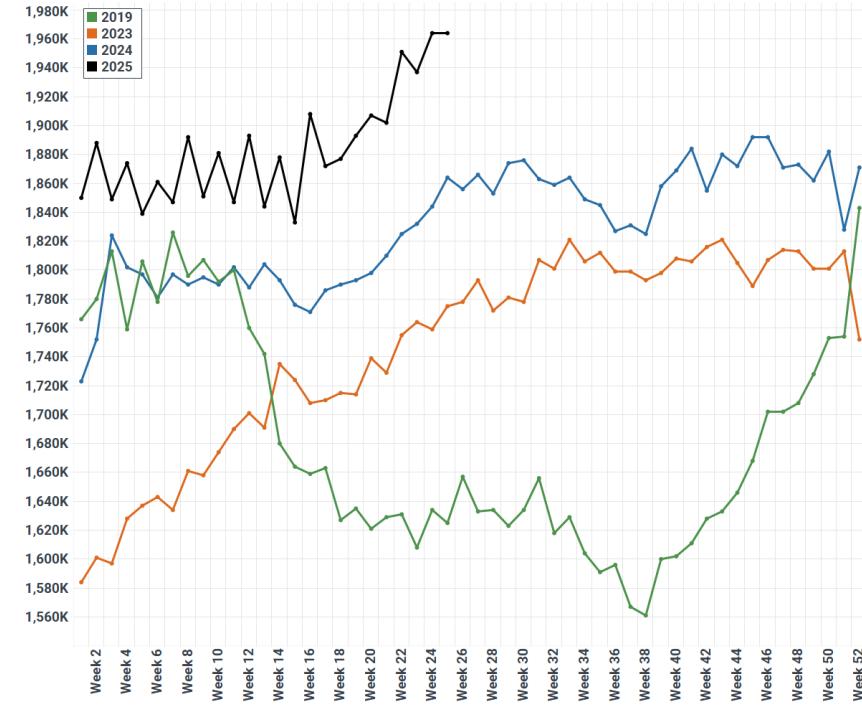
Household demand, apart from a pre-tariff surge in March, has not performed well so far this year

5

Monthly US Real Core Consumer Expenditures and Nominal Advance Retail Sales (Index Jan 2023 = 0)



Weekly US Continuing Jobless Claims

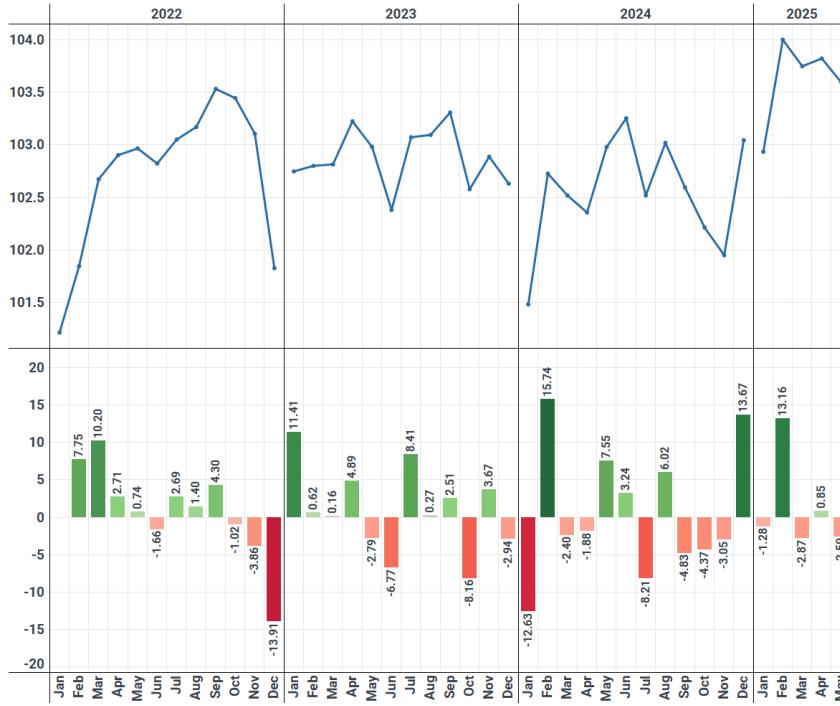


United States: Investment

A surge in Q1 investment, driven by tariff front-running, unlikely to persist into the rest of the year

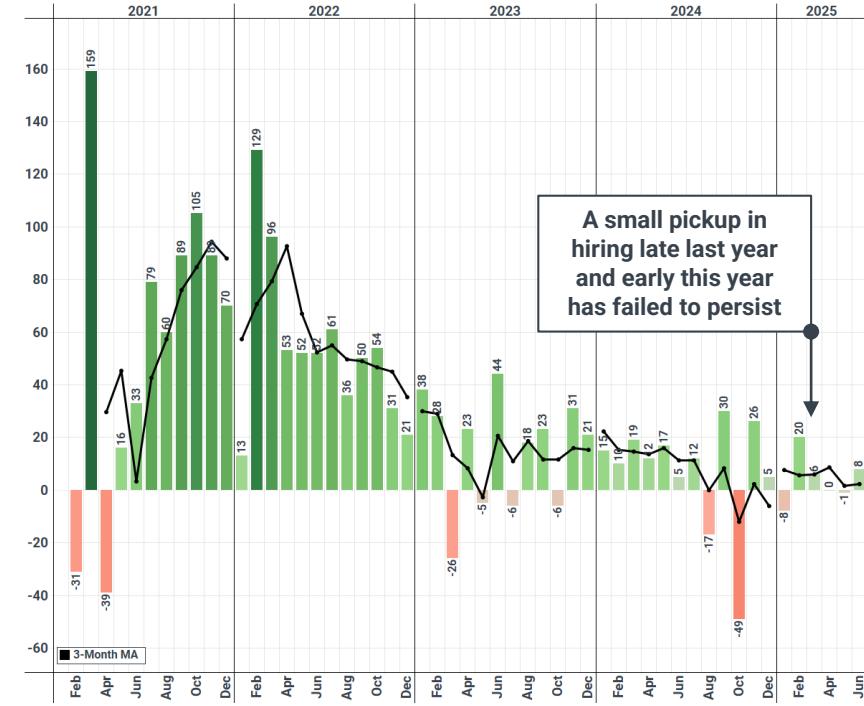
6

Monthly US Headline Industrial Production Index (top) and M/M % Delta Annualized (bottom)



Source: US Fed

Monthly US Construction + Manufacturing Payroll Growth (in thousands)



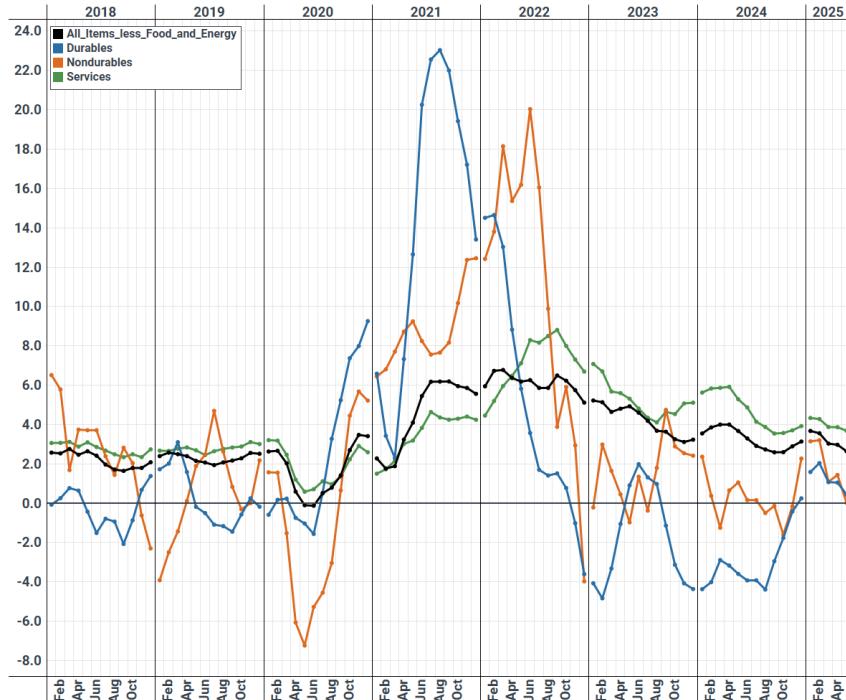
A small pickup in hiring late last year and early this year has failed to persist

United States: Inflation and Monetary Policy

We remain concerned about inflation despite a subdued CPI report for May

7

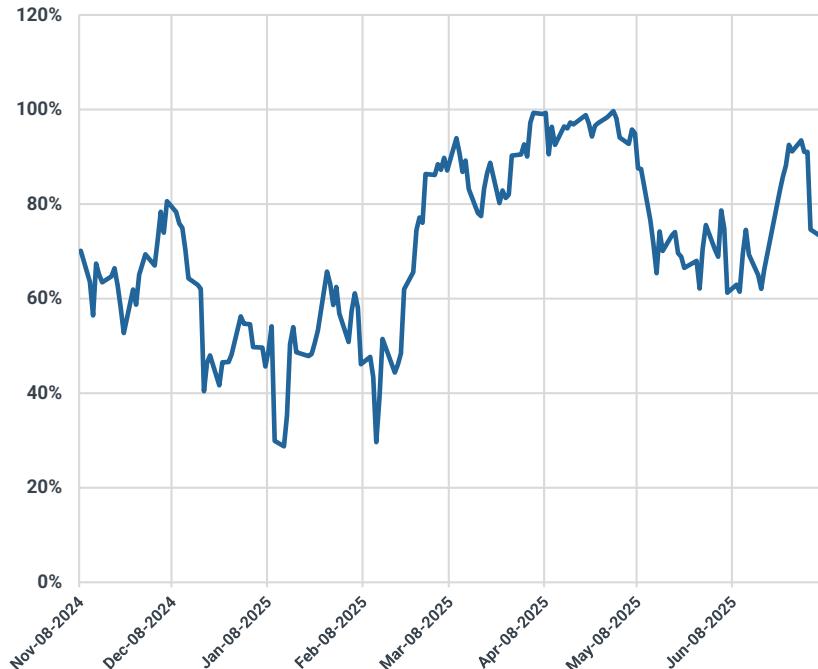
Monthly US CPI-Based Core, Services and Goods Inflation Measured Over Six Months (%, Annualized)



Source: BLS

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US CME Fed Futures Probability of at Least 50bp of Rate Cuts by End 2025 (%)



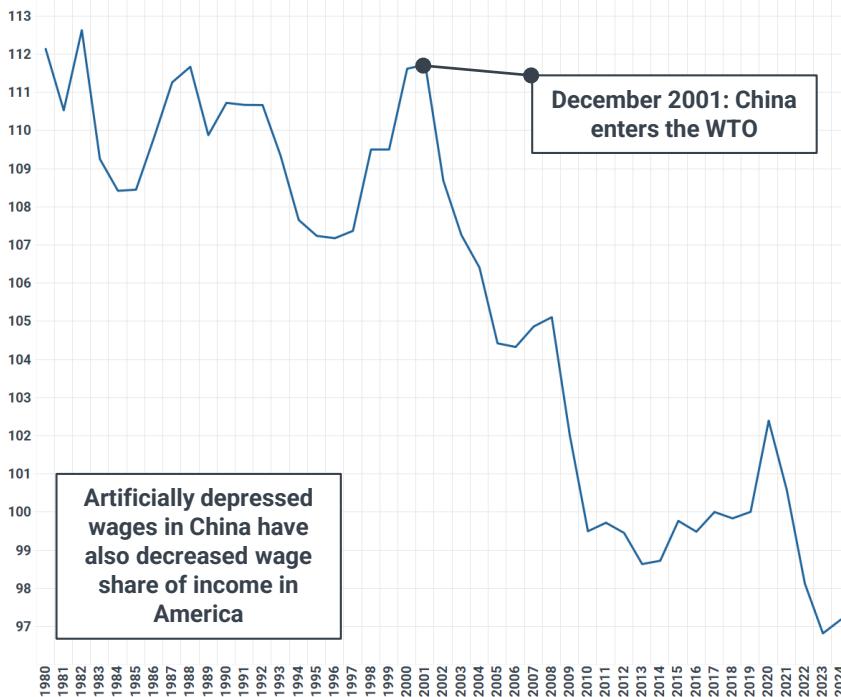
Source: CME

United States: Wealth Inequality

“Big Beautiful Bill” likely to exacerbate issues around US wealth inequality

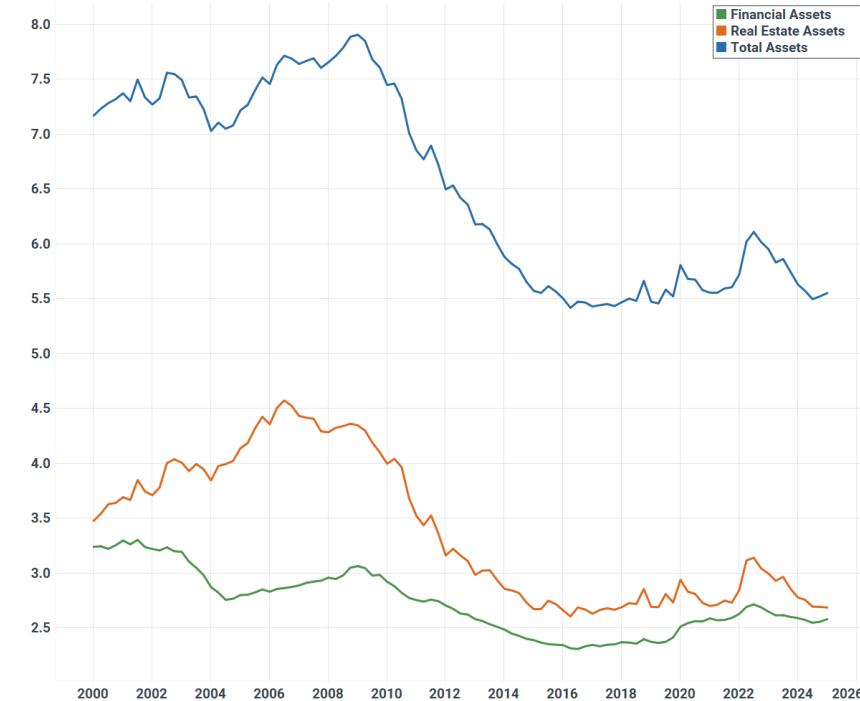
8

US Yearly Labor Share of Income (Index 2017 = 100)



Source: BLS

US Asset Holdings of Bottom 50% of Households (% of Total)



United States: Wealth Inequality

Large US trade deficit supports asset price appreciation, but at a cost...

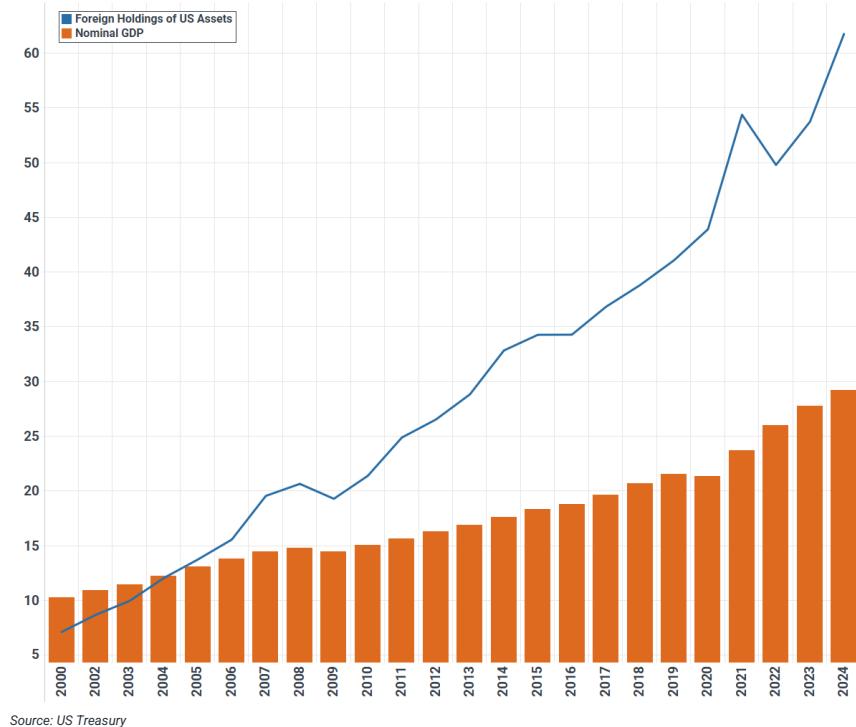
9

Financial Account (USD bn, left) and S&P 500 Index (\$, right)



Source: FMP, BEA

Yearly US Nominal GDP Against Foreign Holdings of US Assets (USD tn)



Source: US Treasury

China: Economic Outlook

China making little progress in rebalancing towards a consumption-led growth model

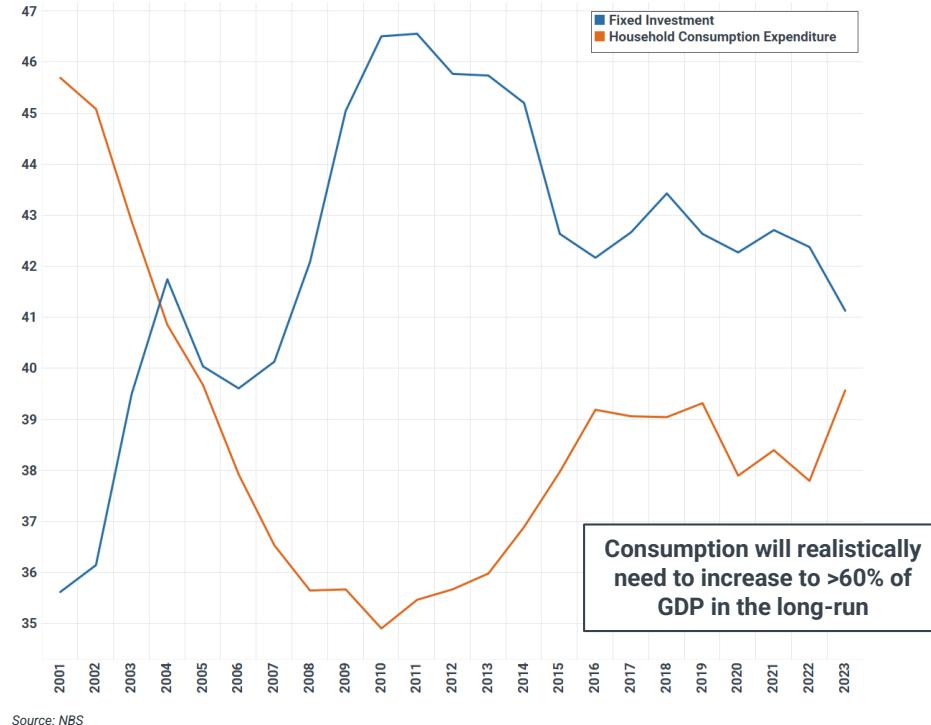
Economic Vulnerability: China is highly vulnerable to US tariff policy amid over reliance on investment-led growth.

Rebalancing Progress: Chinese policymakers have openly admitted that investment-led growth model is no longer sustainable.

- Rebalancing will involve emphasizing higher wages, a wider social safety net, and higher corporate taxes.
- No evidence of any rebalancing this year. Roughly 3/5 of China's 5% growth target met by investment and net exports this year.
- Trump tariff capitulation likely reduces urgency.

Long Run Outlook: Expect tough years ahead for China. The process of rebalancing will be painful and likely require outside pressure.

Chinese Investment and Household Consumption as a % of Real GDP



Source: NBS

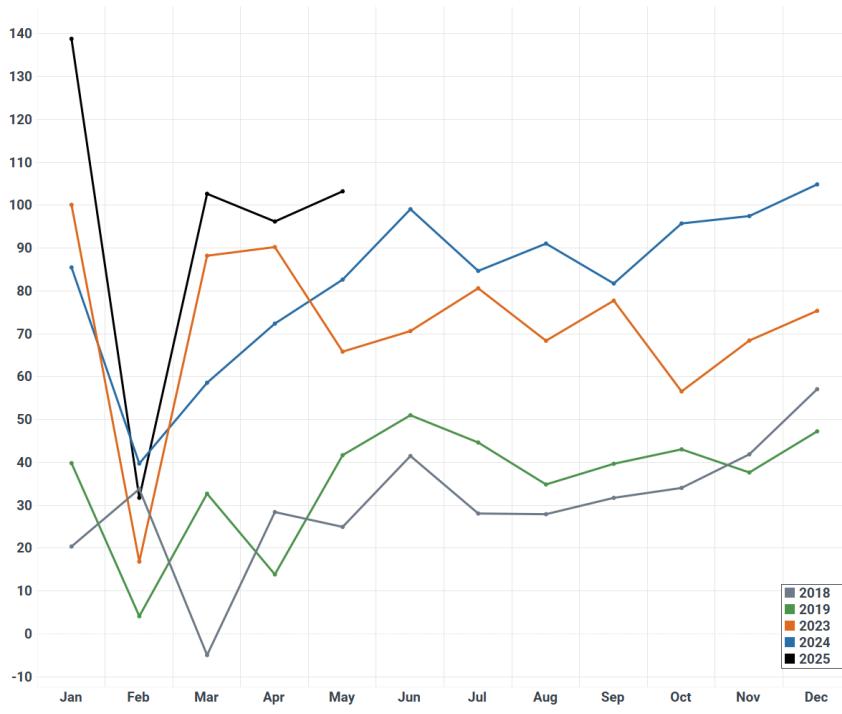
Consumption will realistically need to increase to >60% of GDP in the long-run

China: Trade Balance

Investment over-reliance is pushing the trade surplus to ever more unsustainable levels

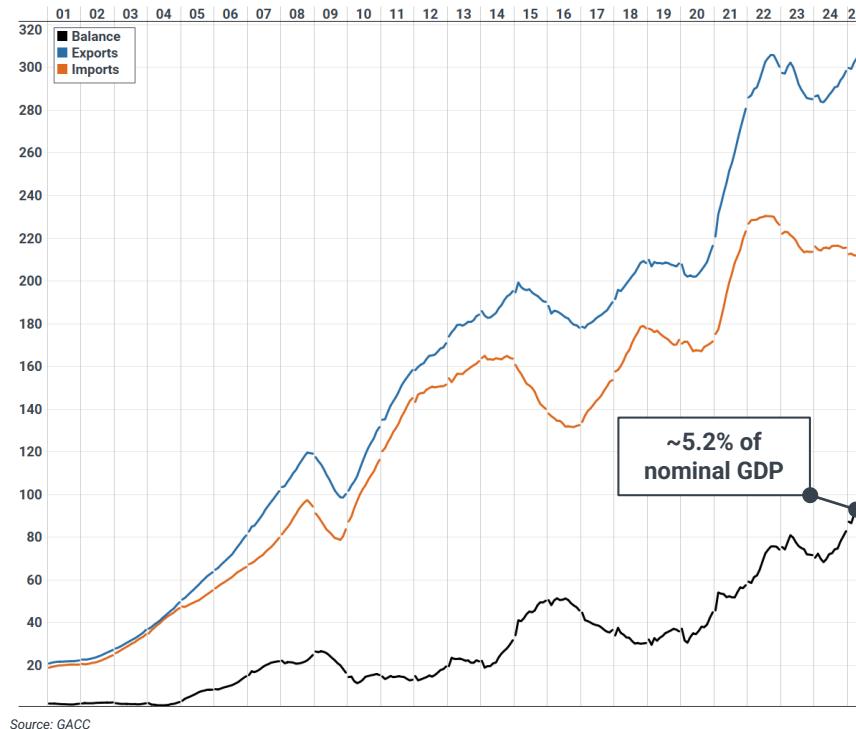
11

Monthly Seasonal Chinese Trade Balance (USD bn)



Source: GACC

Monthly Chinese Trade (USD bn, 12-month MA)



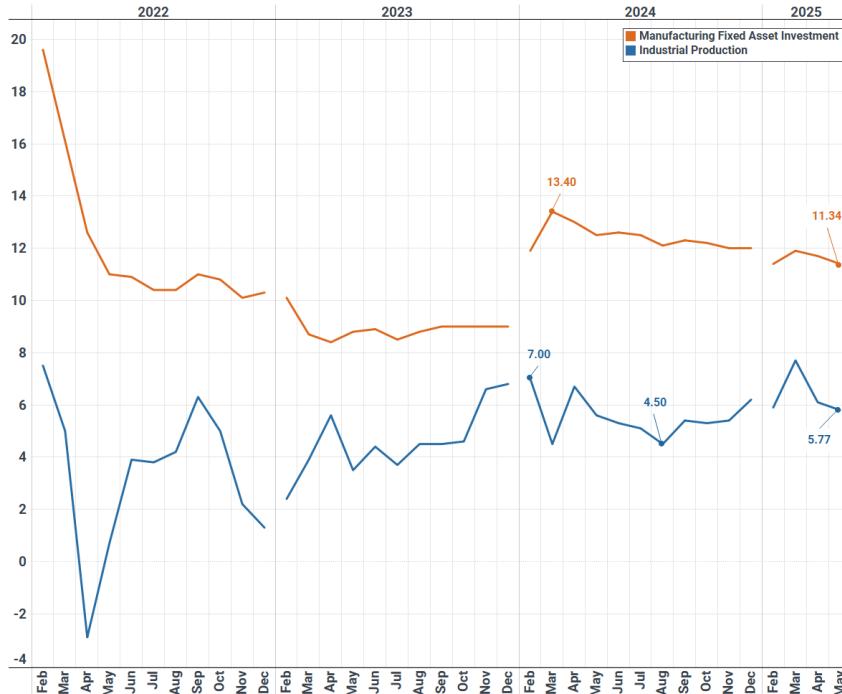
Source: GACC

China: Investment

12

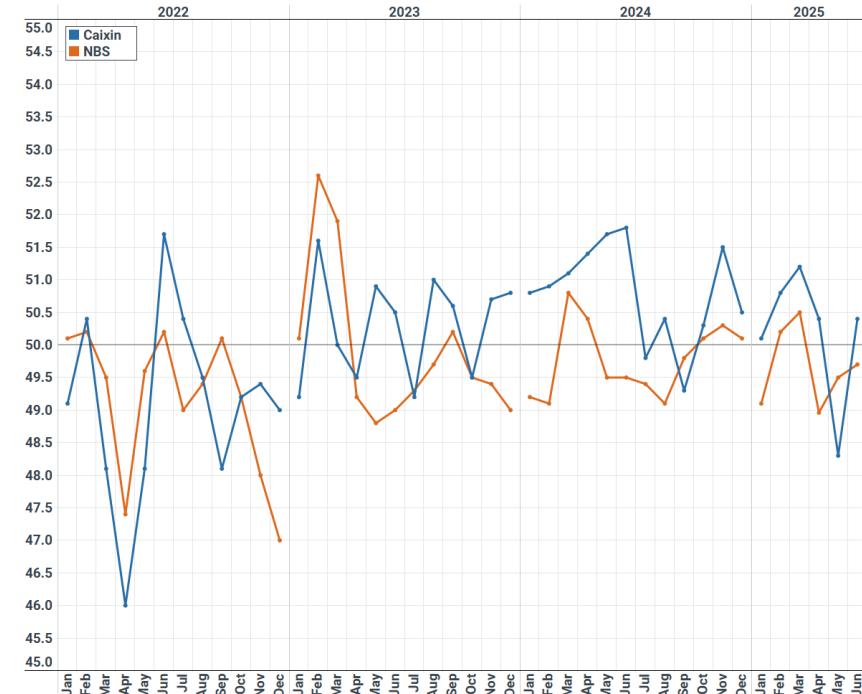
Investment growth surged through the first four months of the year, but expect a temporary summer deceleration

Monthly Chinese Manufacturing Fixed Investment and Industrial Production Growth (Y/Y % Delta)



Source: NBS

Monthly Chinese Manufacturing PMIs (<50 = expansion, <50 = contraction)



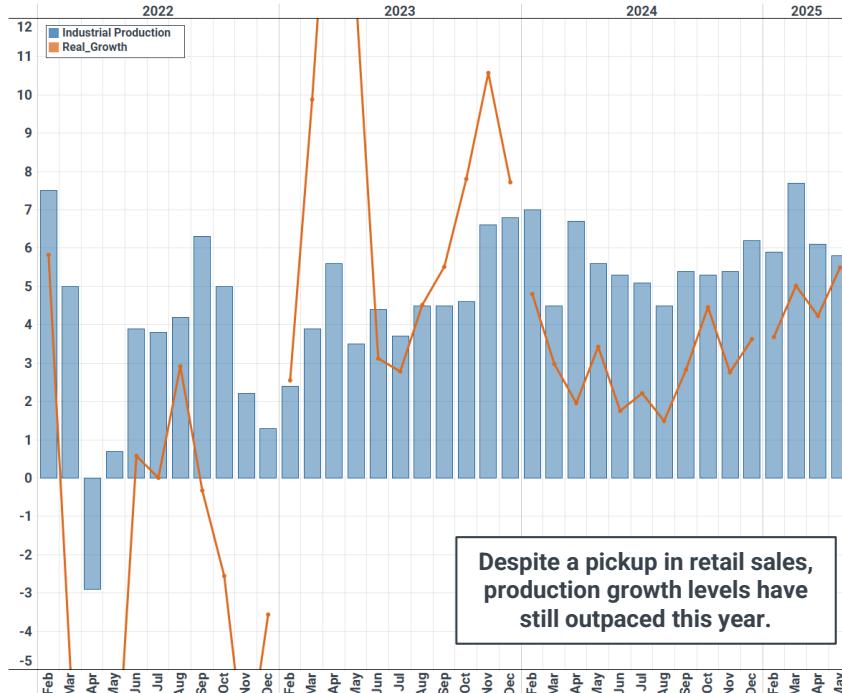
Source: NBS, Caixin

China: Household Consumption

13

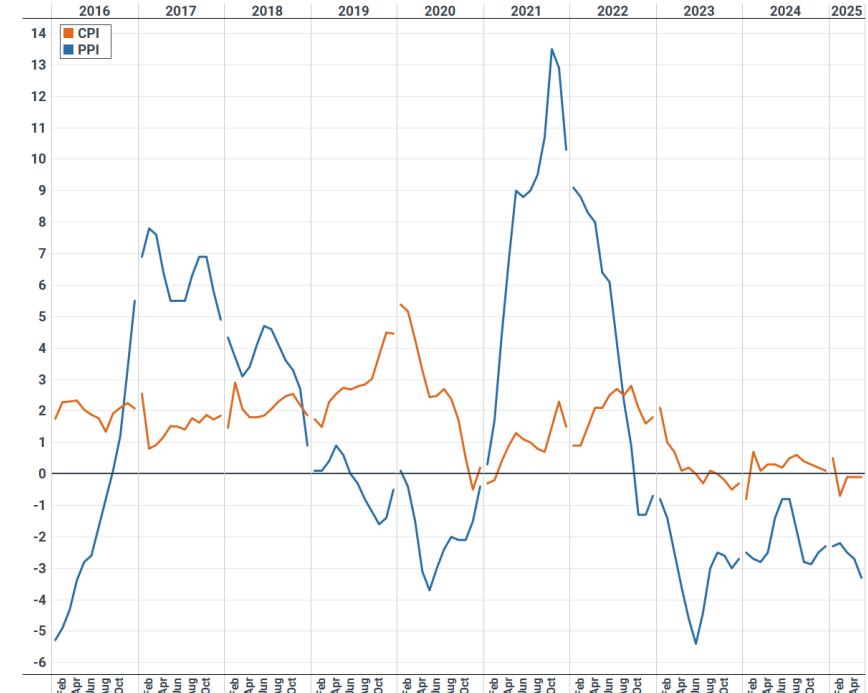
Chinese consumption growth must outpace production growth for many years to come

Chinese Real Retail Sales Growth Against Industrial Production Growth (Y/Y % Delta)



Source: NBS; retail sales growth calculated on existing retail sales figures and adjusted using headline inflation

Chinese 12-Month Rate of Headline Consumer and Producer Inflation (%)



Source: PBOC

China: Fiscal Stimulus and Consumption Rebalancing

The shift towards consumption will be extremely difficult

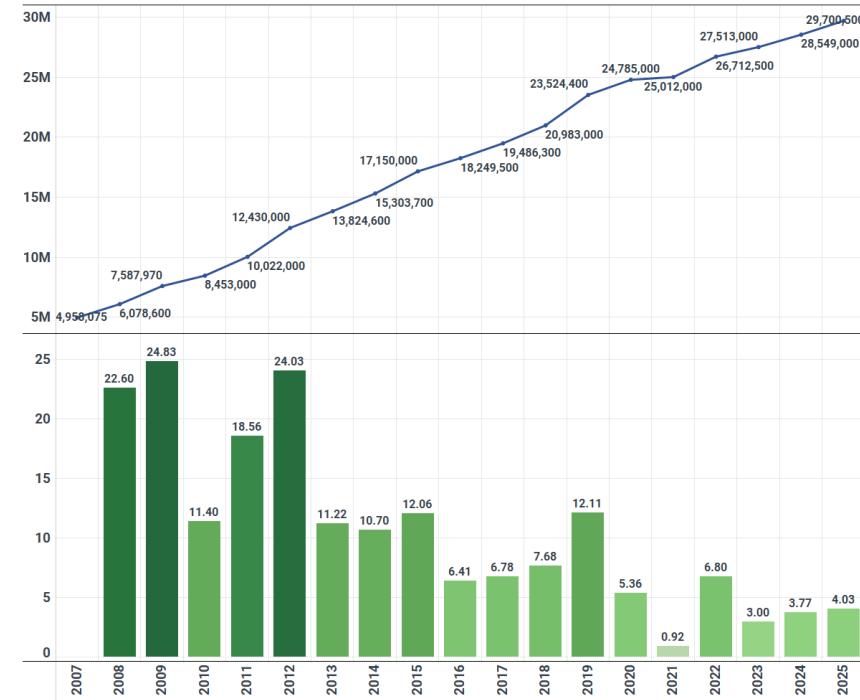
Chinese policymakers have doubled down on the need for aggressive fiscal stimulus measures.

- Increase in fiscal deficit to 4% of GDP, up from a typical level of 3%. Planned expenditures will not see much growth amid declining government revenue expectations.
- Issuance of “special bonds” which do not count against official government deficit measure. This includes \$849bn in spending, of which will be deployed via central (\$178bn) and local (\$609bn). Another \$68bn will recapitalize state banks.

Chinese officials have also released a “special consumption plan” meant to boost household demand. This is a step in the right direction but leaves much to be desired.

- While this plan will attempt some demand side reforms (wage increases, widened social safety net), the plan still leans heavily on supply-side (investment) measures.
- **There is no serious conversation about who will bear the burden of increased consumption as a share of the economy.** The burden will either fall on businesses (lower margins), the govt (higher debt), or both – this will be hard to pull off politically. Redistribution is never easy.

Yearly General Public Budget Planned Expenditures (RMB bn, top) and Y/Y % Delta (bottom)



Source: NBS

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Equities



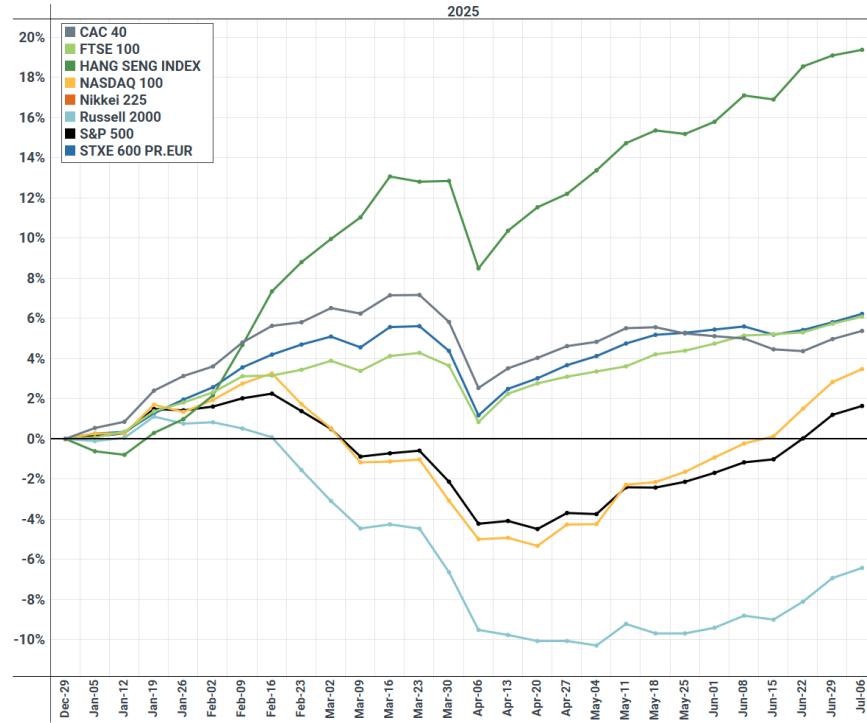
H1 2025 Market Recap: Tech-Driven Highs Amid Diverging Global Valuations

A record-setting first half powered by U.S. megacaps

16

- U.S. equities hit record highs, with S&P 500 valuations at ~24x P/E—elevated but not extreme; market breadth remains narrow (57% above 200-day MA).
- \$+160bn has flowed into U.S. stocks YTD, setting pace for the third-largest annual inflow in history.
- Hang Seng leads globally but remains 28% below its 2018 peak; rally seen as technical, driven by short-covering and policy support, not structural recovery.
- Japan's Nikkei 225 (+6.5% YTD) benefits from a weak yen, corporate reforms, and targeted government spending.
- Europe's STOXX 600 (+6.0% YTD) is lifted by German stimulus, strong financials, and a ~14% euro appreciation, boosting returns for foreign investors.

Major indices Performance January 2025



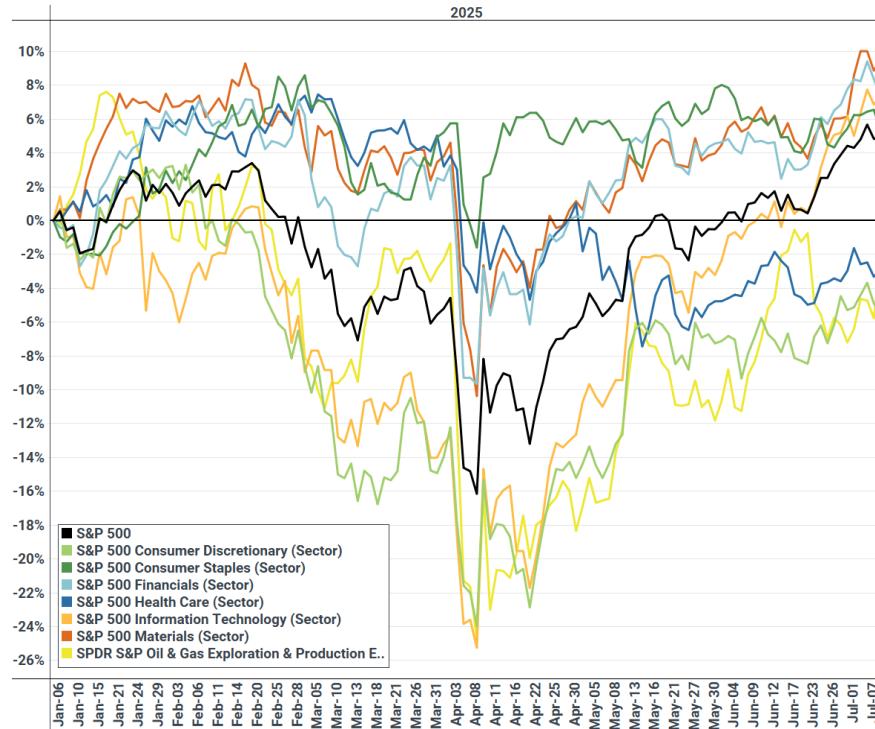
Source: Marketview

Oil Sector lagging Despite Crude Price Recovery

Oil equities remain down year-to-date

- Tech leads (+8% YTD) driven by strong AI momentum—Nvidia, Microsoft, and AMD post strong results. Consumer Discretionary strong, helped by robust U.S. consumer demand—Amazon and Tesla outperform.
- Market dispersion widens, with防守性 and cyclical trailing AI-driven growth leaders.
- Energy lags despite oil rebound, due to capital discipline, long term uncertainties, and weakening earnings growth.
- Shell's warning is particularly notable given the backdrop of a challenging second quarter for the broader energy complex.

Sector Performance since January 2025



Source: Marketview

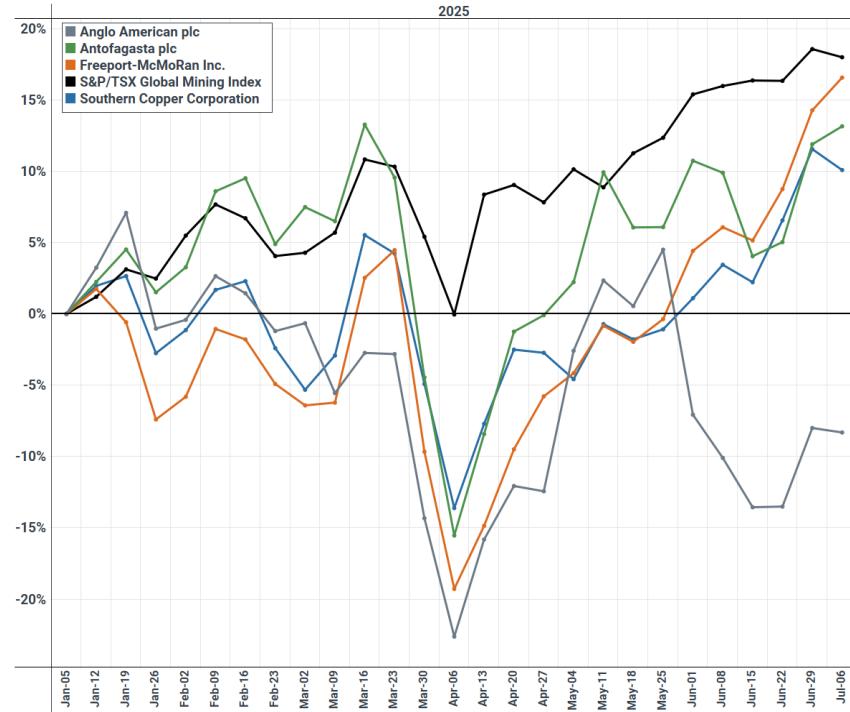
Copper: Strength in Execution

Q1–Q2 highlight contrasting production trends

18

- **Winners vs. Laggards:** Q1 2025 results revealed a growing divide between copper miners executing well and those facing operational or strategic challenges.
- **Top Performers:** Antofagasta and Capstone Copper delivered strong output growth and cost reductions, with scalable and credible project pipelines.
- **Underperformers:** Glencore and Ivanhoe Mines struggled with production setbacks, including grade issues and a major suspension at Kakula.
- Overall, global production among the top 15 miners slipped 0.8% year-over-year to 2.967 million tonnes and declined over 12% compared to Q4;
- Q2 production trends were generally favorable, with Amerigo showing a significant uptick and Ivanhoe holding near record levels despite operational hiccups.

Listed copper companies share price performance



Source: Marketview



Commodities

Crude Oil - Natural Gas - Copper - Soybeans

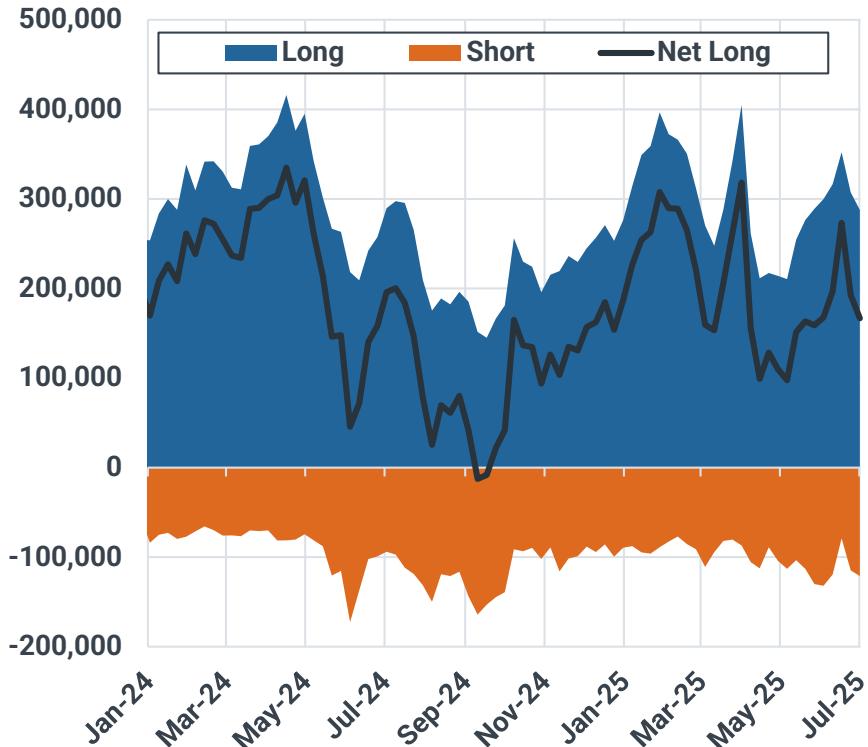


Oil – Market Sentiment

Positioning remains structurally long but sentiment is muted

- Brent continues to unwind as fading geopolitical risk premium give way to deteriorating fundamentals.
- With net length down 26k and no clear counterbalance from short positioning, the long/short ratio Z-score fell to -0.89.
- The 35.5% percentile and 40.8% OI share imply that speculative length has been cut back to median levels, though the notional footprint remains substantial.
- The lack of a bullish rebuild, despite volatile price action, signals that traders remain wary of further downside. The Kpler sentiment score dropped to -1 (-1 w/w), reflecting a cooling speculative environment.

ICE Brent Futures Positioning (lots)



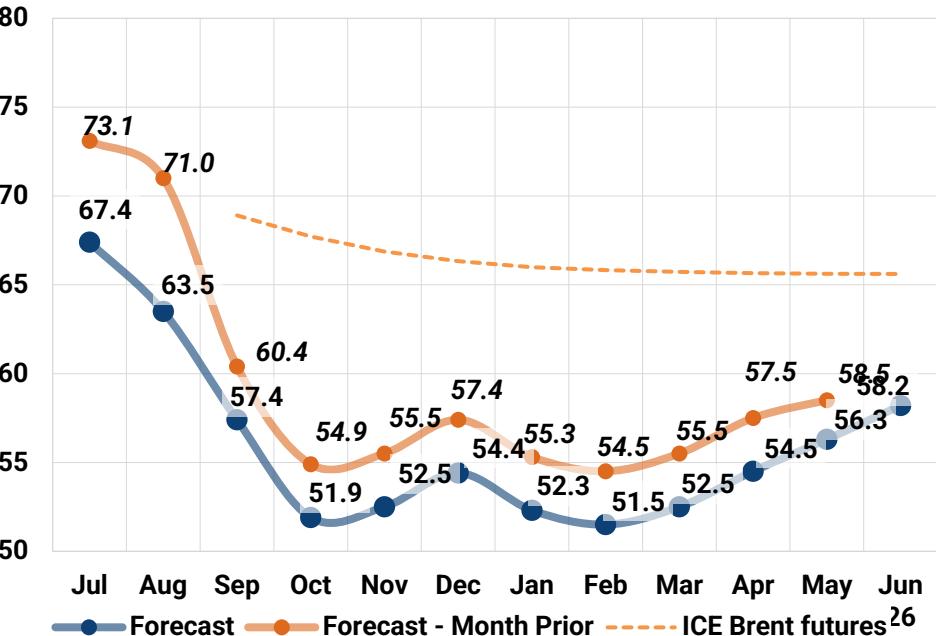
Source: Kpler calculations based on ICE

Kpler's pre-conflict Dated Brent price forecast remains valid

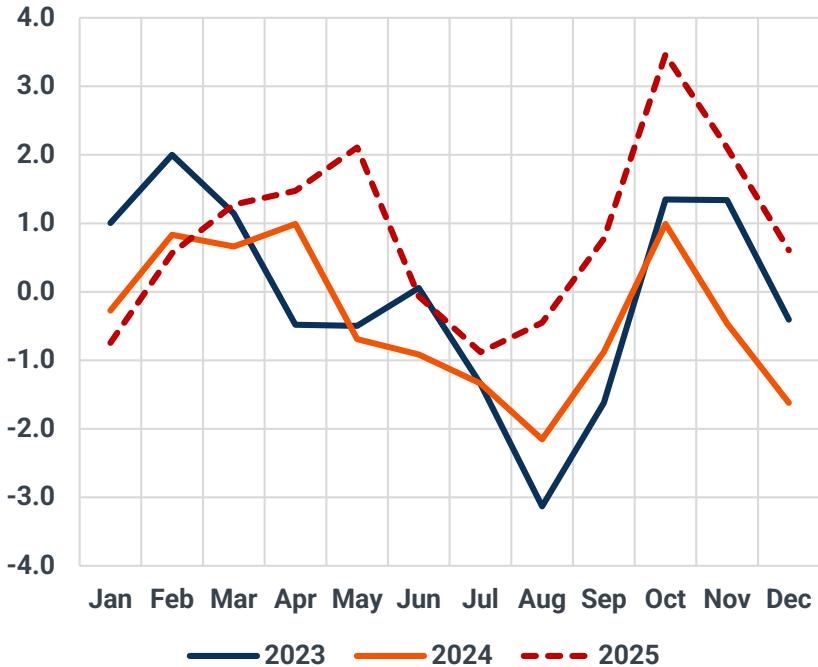
Lengthening balances drive a sharp bearish turn for prices in H2

21

Kpler Dated Brent forecast, \$/bbl



Global oil balances, Mbd



Source: Kpler

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Natural Gas

Henry Hub spread expected to narrow vs EU, Asia

TTF, JKM: bearish 2025 H2 and 2026

- **Quicker LNG ramp-ups** (Plaquemines and Canada LNG)
- **Weak LNG imports in China** (strong piped imports, record domestic supply, surging renewables), **India** (price sensitive), **Thailand**
- **Europe: higher EU storage flexibility** (stronger contango → Kpler expects 87% by Nov 1)

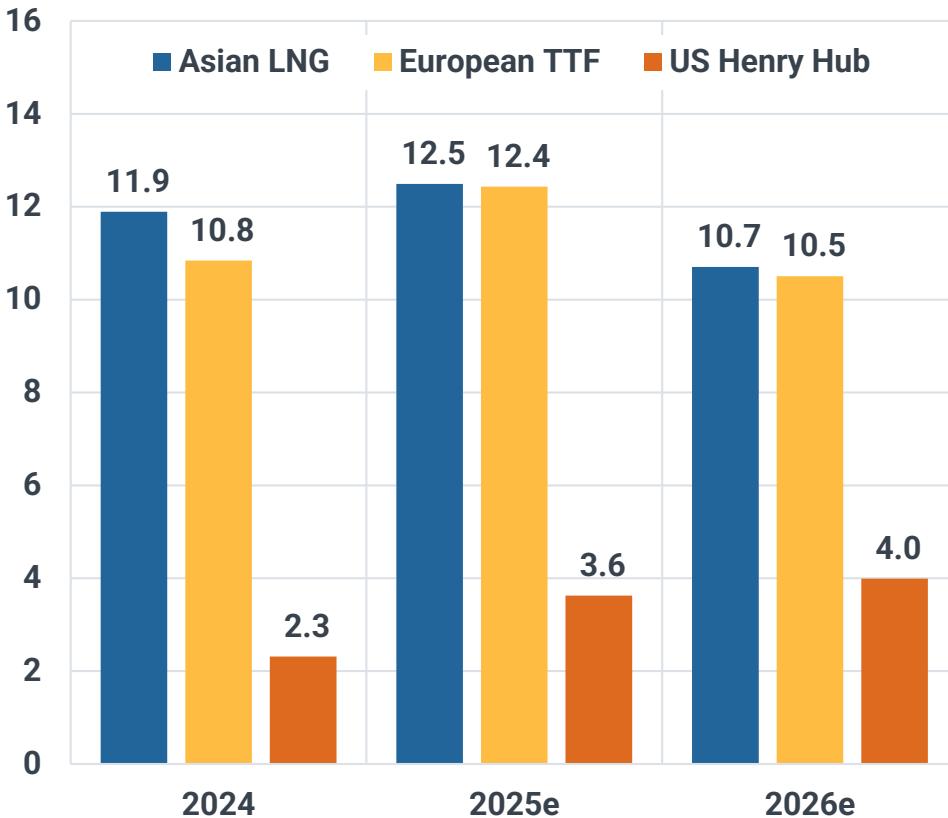
Henry Hub: flat 2025 H2, bullish 2026

- US LNG exports +17 Mt (2025) and +20 Mt (2026)
- Narrowing vs TTF, JKM

Russian gas:

- Still 10% of EU demand - phase out only until end of 2027
- **Arctic LNG 2:** recent loading (*Iris*), Chinese buying still unlikely

Kpler Outlook: Benchmark Prices (\$/MMBtu)



Source: Kpler Insight, historic calculations based on ICE and NYMEX

Tariff impact: Copper

Short-term: US faces limited copper supply risks

Tariff-Driven Price Spike

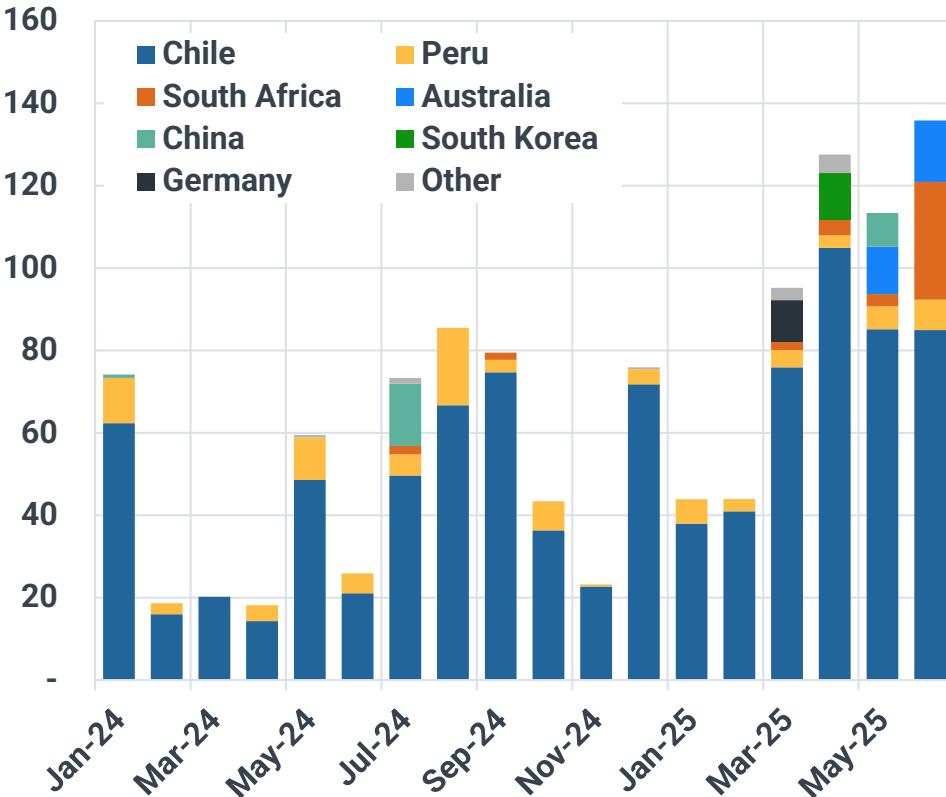
- June 8: US announced 50% tariff (possibly ~25% effective)
- Comex >\$5.50/lb; Comex-LME spread jumped from 11% to 26%
- Comex stocks hit 7-year high; LME 2-year low

Front-Loaded US Imports

- Since April: surge in seaborne copper from Chile, Peru and smaller producers
- 2025 ytd seaborne imports (572 kt) near full-year 2024 total (598 kt), Can/Mex +19%

→ US inventories likely sufficient for H2 2025

Monthly US Refined Copper Imports by Origin (kt)



Source: Kpler

Tariff impact: Copper

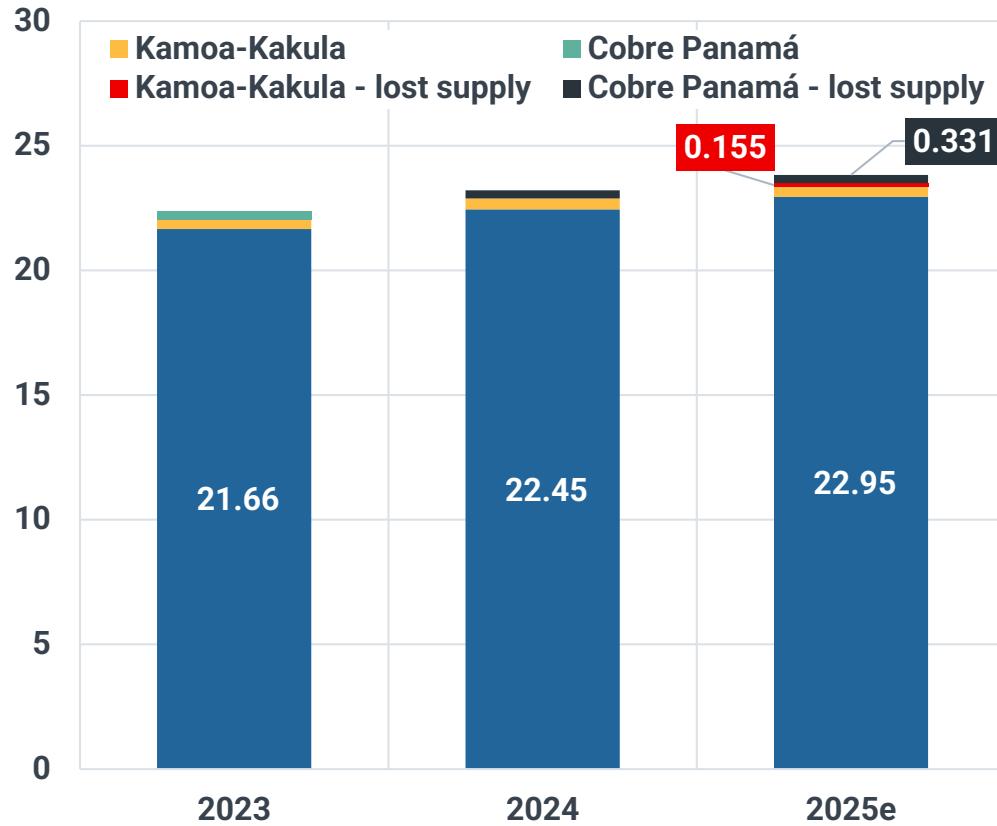
Long-term: US self-sufficiency not before 2035

- 45% US import reliance (2024)
- Half of US copper supply processed domestically → **immediate bottleneck: smelters**. If 100% processed: 14% import reliance. But: greenfield smelter projects - min. 5 years
- **Resolution Mine** (450 kt/year) cleared but ~10 years from output. If enough smelting capacity → 190 kt surplus. But: demand surge from electrification & data centers
- **US self-sufficiency at earliest in 2035**

Major supply disruptions:

- **Cobre Panamá**: stockpile exports 32 kt
- **Kamoa-Kakula**: -155 kt revision

Impact of Copper Supply Disruptions (million tons)

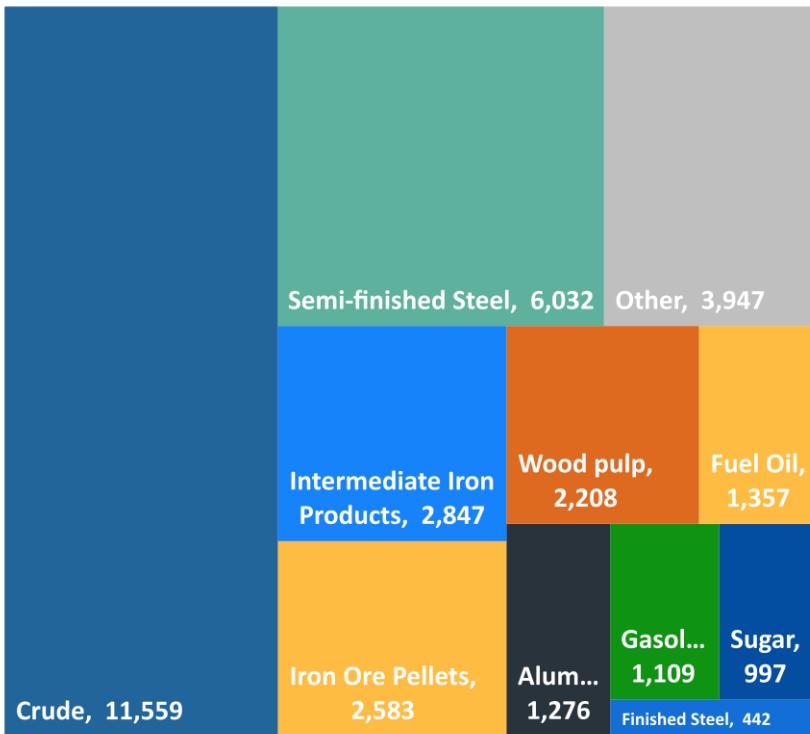


Source: Kpler calculations based on company reports and ICSG

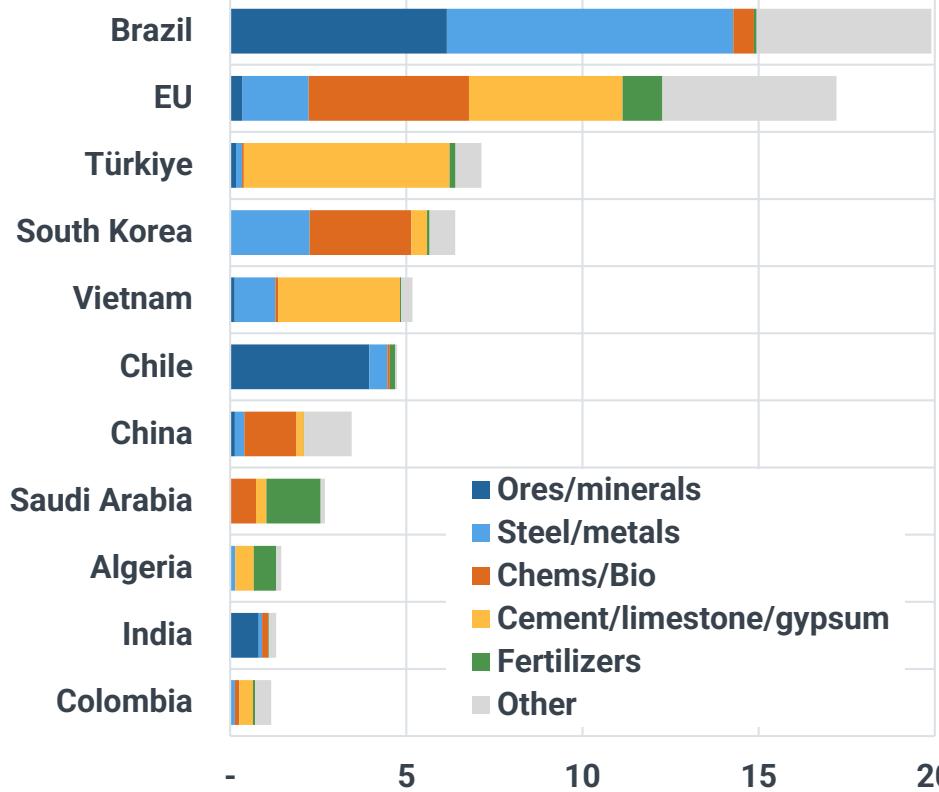
Tariff impact: Brazil

Brazil #2 supplier of bulk commodities to the US

US bulk commodity imports from Brazil (kt)



Top suppliers of non-fossil commodities to the US (Mt)



Source: Kpler

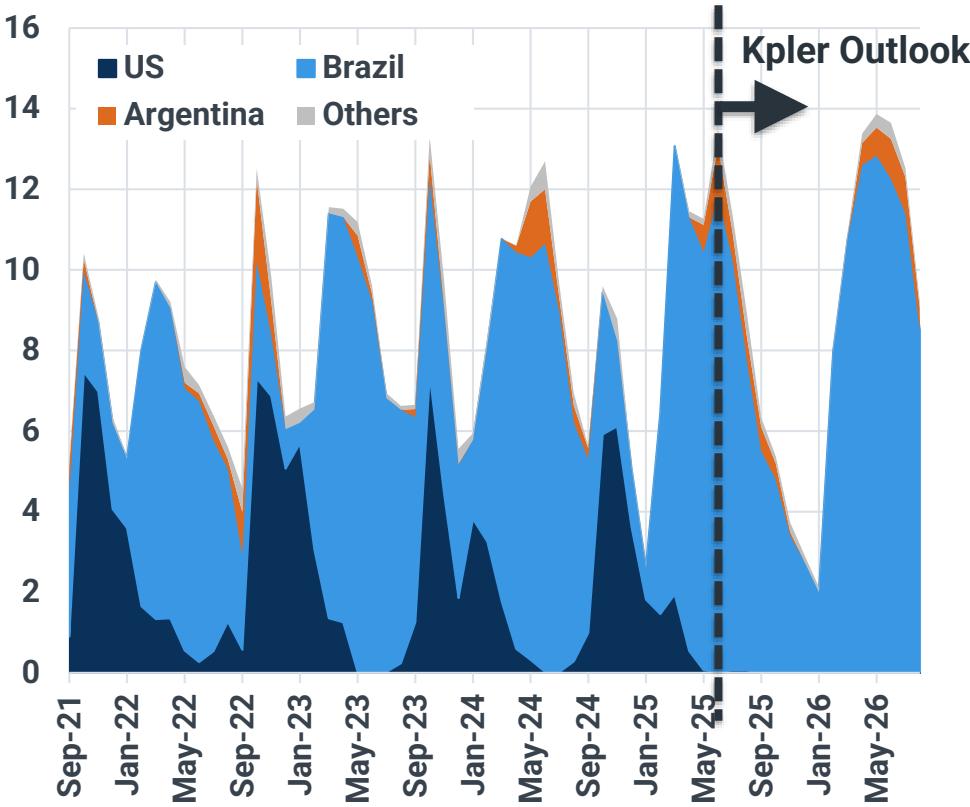
Tariff impact: Soybeans

US-China soybean trade set to come to a halt in 2025/26

- Tariff status quo: effective Chinese tariff of 34% until Aug-11.
- **China: ~60% of US soybean exports → cannot be fully replaced:**
 - Bullish Renewable Fuel Standard cannot offset gap
 - Of 22 mt lost to China, only 6-8 mt can be redirected → sharp hit to US farm income.
- China to boost stock with Brazilian volumes. But: off-season for US exports → impact Q4 onwards.
- China's pivot driven by:
 - Brazil: record crop, acreage expansion, weak BRL
 - Higher domestic production and flat demand

→ China in stronger position on soybeans vs 2018 trade war.

Chinese Soybean Imports by Origin (million tons)

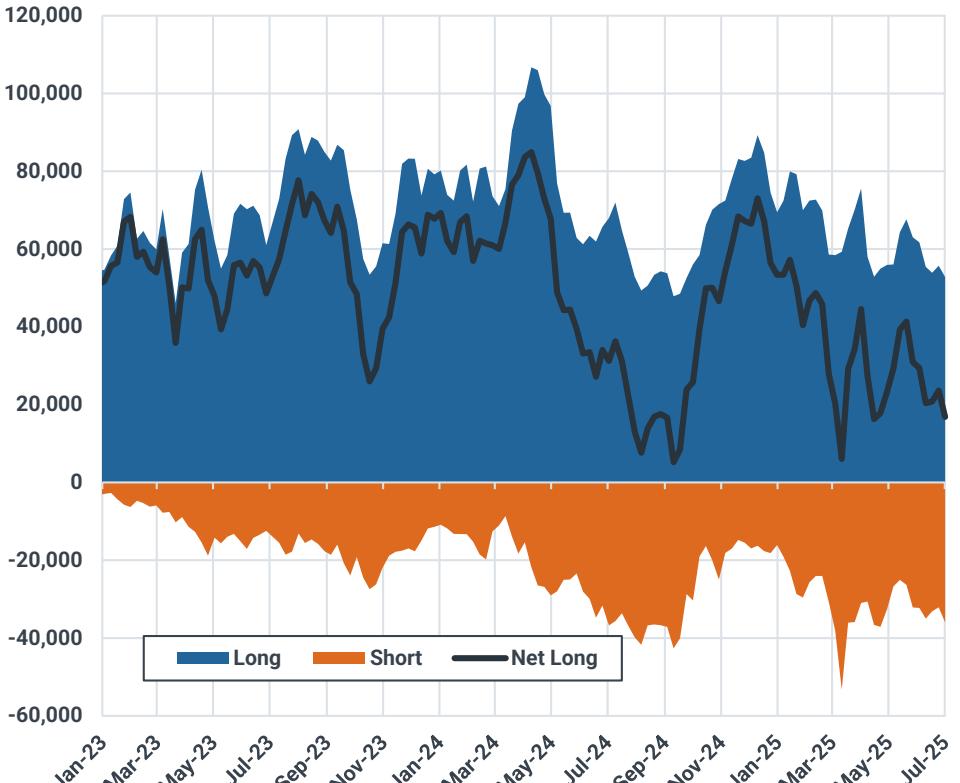


Commodity Futures Positioning

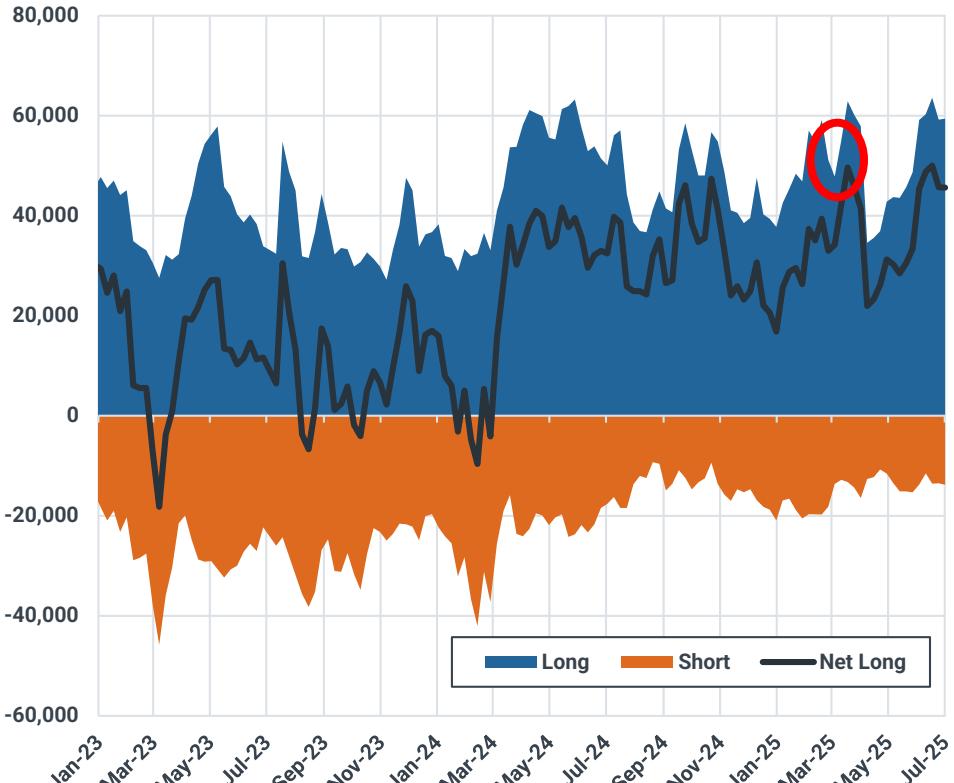
Speculative Positioning	Longs Δ	Shorts Δ	Net Long	Net Long Δ	4W Change Z-Score	Long/Short Z-Score	Net Long Percentile	Net Long as % of OI	Net Long Past 12M	Kpler Sentiment Score (w/w)
WTI (NYMEX)	12,531	-1,010	178,100	13,541	0.36	-0.39	36	68%		0 (-1)
Brent (ICE)	-19,695	6,186	166,717	-25,881	-0.02	-0.89	36	41%		-1 (-1)
European Gas Oil (ICE)	2,840	1,231	71,720	1,609	1.76	-0.29	62	56%		+4 (0)
RBOB Gasoline (NYMEX)	-2,932	3,880	16,842	-6,812	-0.89	-0.98	3	19%		-3 (0)
NY Harbor ULSD (NYMEX)	1,798	1,883	27,249	-85	1.90	0.31	78	40%		+4 (0)
Natural Gas (NYMEX)	7,258	-1,838	-51,629	9,096	0.04	-0.68	32	-12%		-3 (0)
Gold (CMX)	3,667	-2,546	136,697	6,213	0.16	-0.01	67	67%		+2 (0)
Silver (CMX)	210	272	45,624	-62	-0.01	2.04	94	62%		+4 (-1)
Copper (CMX)	3,519	1,172	31,544	2,347	0.40	0.58	68	40%		+3 (0)
Soybeans (CBOT)	-9,836	13,187	425	-23,023	-0.17	-0.61	24	0%		-2 (-1)
Corn (CBOT)	13,973	38,154	-206,463	-24,181	-0.61	-0.67	12	-36%		-6 (0)
Wheat-SRW (CBOT)	6,970	5,374	-63,071	1,596	1.65	-0.60	36	-29%		-2 (0)
Cocoa (ICE US)	279	-105	14,628	384	-0.17	0.38	37	49%		0 (0)
Coffee (ICE US)	-566	2,125	20,663	-2,691	-0.67	-0.60	27	45%		-2 (-1)

Commodities Positioning

Positioning in RBOB gasoline and silver indicates an upcoming trend reversal



Net length percentile (5 yrs): 3%
Long/short z-score: -0.98



Net length percentile (5 yrs): 94% (96%)
Long/short z-score: 2.04 (2.17)

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Q&A