Commodities Monthly Outlook

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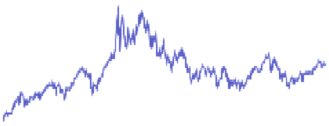
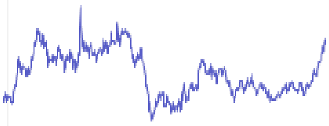
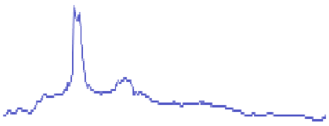
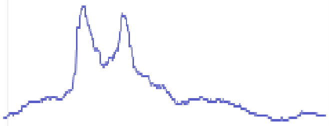
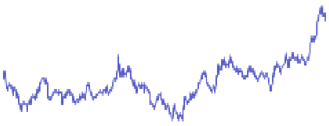
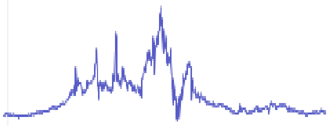
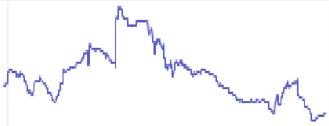
Eva Bochorishvili
Head of Research | evabochorishvili@gt.ge | +995 322 401 111 ext.8036

Kakhaber Samkurashvili
Head of Sector Research | ksamkurashvili@gt.ge | +995 322 401 111 ext.4298

Sergi Kurashvili
Senior Analyst | s.kurashvili@gt.ge | +995 322 401 111 ext.3654

Commodity price dynamics

Commodity	Price	Change, m/m*	Change, YTD	Price change from January 2021 up to date
Ammonium Nitrate US$/ton	**182.5**	**-24.0%**	**+1.4%**	
Brent Oil US$/bbl	**87.9**	**+0.4%**	**+14.0%**	
Copper US$/ton	**9,892.4**	**+12.8%**	**+16.9%**	
Ferrosilicon (China) US$/ton	**1,315.0**	**+7.3%**	**-1.5%**	
Ferrosilicon (Europe) US$/ton	**1,441.7**	**-4.6%**	**+4.2%**	
Gold US$/troy oz	**2,286.3**	**+2.5%**	**+10.8%**	
Natural gas US$/mwh	**31.7**	**+5.4%**	**+1.7%**	
Wheat US$/ton	**203.0**	**+4.1%**	**-22.6%**	

Source: Bloomberg
Note: prices as of 30 April, 2024

*m/m prices reflect end of month figures

Energy

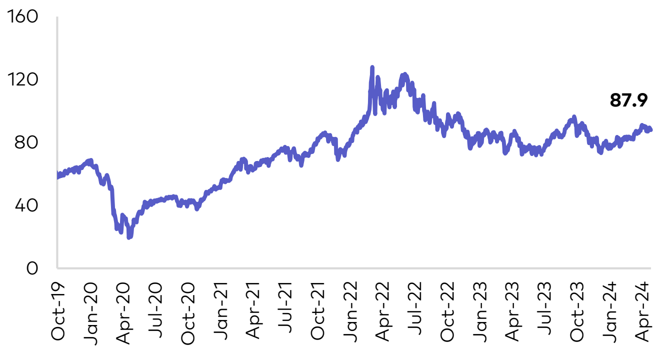
Brent oil

In April 2024, brent oil price was up 0.4% m/m. Brent crude closed month at US$ 87.9, briefly even slipping below US$ 85.0 per barrel, lowest point since middle of March 2024. Although the bearish sentiment strengthened by the end-of-month, April started with the rally of oil prices gaining 4.3% in the first week of trading. This rally began after a serious escalation in the Middle East, this time involving direct conflict between Israel and Iran. Following a deadly airstrike on the Iranian embassy in Damascus, Tehran blamed Israel and vowed retaliation. Given the region's significance in oil production and trade, investors reacted with caution, leading to a surge in oil prices. Iran's response involved sending drones and missiles from its own territory, marking the first direct strike on Israel, which replied with a limited counterattack. Both strikes caused minimal damage, suggesting that neither side wants to escalate into a full-scale war. Consequently, oil prices started to decline.

Notably, the conflict was not the only driver of April trading. Crude stocks rose several times in the United States, according to the weekly data by Energy Information Administration (EIA). The commercial oil stocks (excluding Strategic Petroleum Reserve) rose by 7.3mn barrels in the last week of April, reaching 460.9mn barrels in total, only 3% below the five-year average. Analyst survey conducted by the Wall Street Journal predicted 1.5mn barrel decline in the Strategic Petroleum Reserve, which instead rose by 594k barrels in a week. Rising stocks made traders less worried about the upcoming summer driving season, during which gasoline consumption tends to increase.

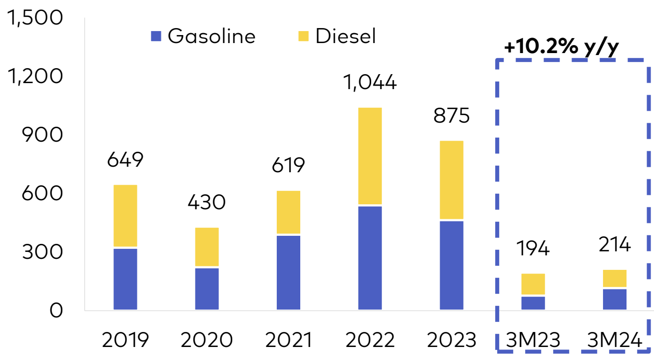
Importantly, there are several factors that may disrupt the market. Upcoming OPEC+ meeting in the summer will be closely watched by traders, as both the supply increase or decrease may significantly affect the market. In addition, although the full-scale war in the Middle East was avoided for now, serious risks still exist. According to analysts at Rystad Energy, without the geopolitical risk-premium, brent would cost US$ 83 per barrel, implying there still is some risk priced-in the prices. On the other hand, some analysts suggest the current prices do not fully reflect the significant risks of the region.

Figure 1: Brent oil Continuous Contract (BRN00), US$/bbl



Source: Bloomberg

Figure 2: Oil products import to Georgia, US$ mn



The volume of gasoline and diesel import increased by 2.6% y/y in 3M24 and reached 271 tons. Average import price grew 7.4% over the same period.

Source: Geostat

Energy

Natural gas

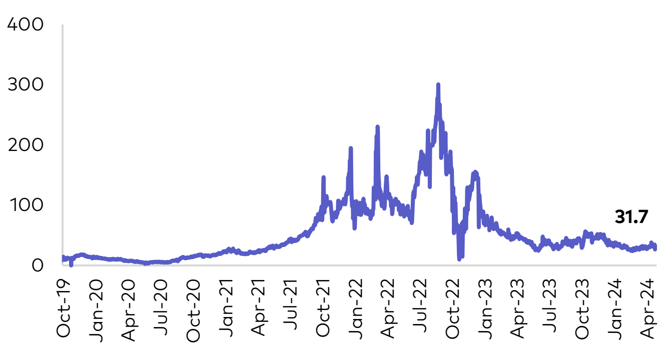
In April 2024, natural gas price was up 5.4% m/m. April trading saw some sharp swings in both directions with prices ranging from US$ 26.8 to US$ 38.3 per mwh. Although the prices remain significantly lower than energy-crisis levels, analysts and traders are worried about the next winter.

Europe ended this winter with record-high natural gas stockpiles, helped by mild weather and a more stable, diversified supply. Liquefied natural gas (LNG) played a key role as Europe sought to replace Russian pipeline gas. With high storage levels, current demand is low, but the contract allowing Russian gas to flow through Ukraine expires at the end of 2024, raising concerns about next winter's supply amid growing demand in Asia. Consequently, among traded futures, contracts for the upcoming winter are the most expensive. The five-year gas transit agreement between Russia and Ukraine, which facilitated some gas flow from Russia to the EU, will not be extended. Kyiv officials and Russian authorities have confirmed that no negotiations are underway with Ukraine or the EU. European Commissioners seem unconcerned about the contract's expiration, indicating that future supply scenarios do not rely on gas flows via Ukraine. As of now, the main purchasers of Russian gas in Europe are Slovakia, Hungary, Austria, and Italy.

Importantly, LNG demand in Asia is on the rise. In 1Q24 LNG imports to China increased 21% y/y, accompanied by growing purchases from other developing nations. Similar to Europe, use of natural gas in Asia peaks in winter. Therefore, if the next winters turn out to be colder, market may witness fierce competition between European and Asian buyers, feeding the volatility of prices.

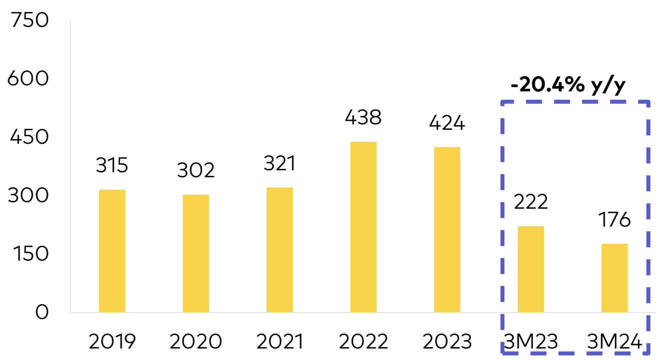
Turkey plans to sign a multibillion-dollar deal with ExxonMobil over LNG. As of now, Russia remains the top supplier of gas for the country (circa 40% in 2022), followed by Azerbaijan, Iran, and others. According to the plan, Turkey will secure up to 2.5mn tonnes of LNG annually, covering approximately 7% of country's consumption. While not much, it is a big step towards Turkey's goal not to be overly dependent on a single supplier. The deal is in the interest of ExxonMobil too as the company set an ambitious plan to double its LNG portfolio by 2030.

Figure 3: Natural gas price (ICE Endex Dutch TTF), US$/mwh



Source: Bloomberg

Figure 4: Natural gas import to Georgia, US$ mn



The natural gas import value decreased by 20.4% y/y in 3M24 and was mostly driven by the lower import price as the volume decreased only by 6.0% y/y.

Source: Geostat

Precious metals

Gold

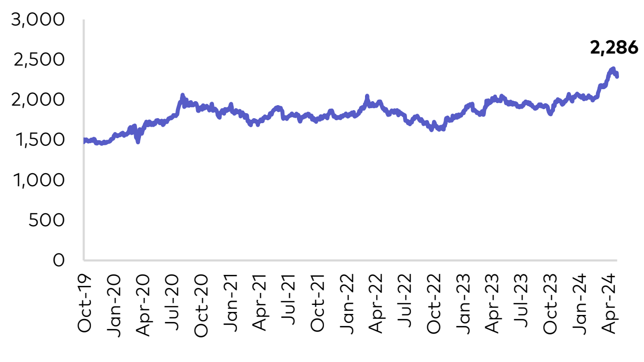
In April 2024, gold prices rose by 2.5% m/m, continuing the upward momentum seen in 2023. The precious metal repeatedly set new records throughout the month, at one point briefly exceeding US$ 2,400 per troy ounce. So far in 2024, gold has surged by 10.8%, driven by central bank activities (including purchases and interest rates) and strong demand from China.

Gold traders closely watched the Federal Reserve meeting, with expectations hinging on potential interest rate cuts. Jerome Powell's speech was less hawkish than anticipated, signaling that another rate hike is unlikely and implying that rate cuts may come later in 2024. This prospect boosted gold, as lower rates typically make gold more appealing compared to Treasuries.

Additional support for gold came from hedging demand in Asia, where Chinese investors, amid local market turmoil, moved capital into gold. This trend accelerated in April, with a record 324,857 bullish contracts in China. The World Gold Council (WGC) highlighted that emerging markets, traditionally large consumers due to India and China, are gaining more pricing power, driven by speculative money. Emerging market central banks are also contributing to demand, with record purchases since November 2022. This trend correlates with a more than 40% increase in gold's price over the same period.

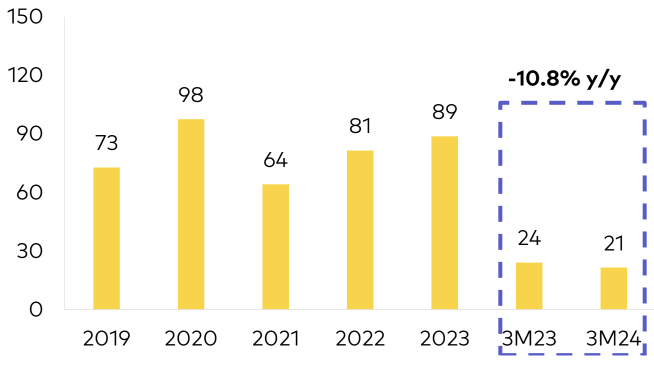
Analysts are optimistic about gold's prospects, especially if interest rate cuts occur. JPMorgan has named gold as its top commodity pick, with a target price of US$ 2,500 per troy ounce. Given the fundamental strength and lack of signs indicating demand decline, the precious metal's rally could continue.

Figure 5: Gold price, US$/troy ounce



Source: Bloomberg

Figure 6: Gold export from Georgia, US$ mn



The gold export volume was down 19.8% y/y in 3M24. Notably, following the global price surge, average export price was up by 11.1% y/y in 3M24.

Source: Geostat

Agriculture

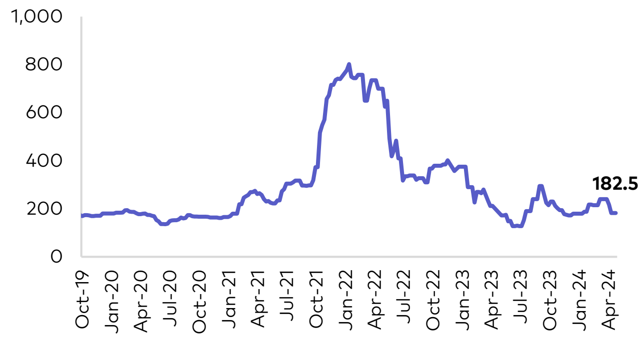
Ammonium nitrate

In April 2024, the price of ammonium nitrate decreased by 24.0% m/m. This decline aligned with the downward trend in the price of its key production component, natural gas. According to the latest World Bank report, fertilizer prices overall are expected to continue decreasing, with forecasts indicating a drop of 21.7% in 2024 and 6.1% in 2025, on average.

Wheat

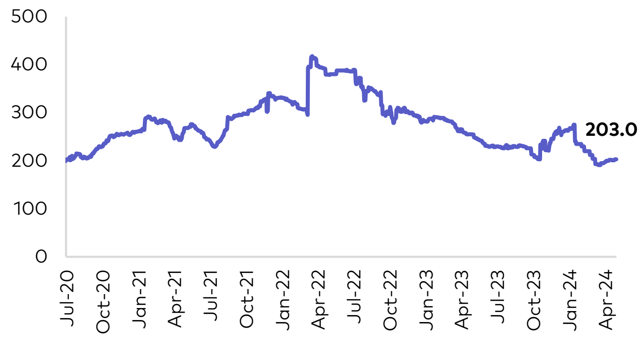
In April 2024, wheat price was up 4.1% m/m. Despite the growth, prices remain 22.6% lower year-to-date. As of now, spot markets are stable, but traders are worried about future supplies. This time, the focus is on the weather in key producers. Worsened conditions may adversely affect supplies from Russia, Europe, and the United States. Adding to the supply concerns, Russian missiles have destroyed the grain storage facilities in the Odesa region, Ukraine. According to the Ukrainian officials, attack destroyed goods intended for export to Asia and Africa.

Figure 7: Black Sea ammonium nitrate spot price, US$/ton



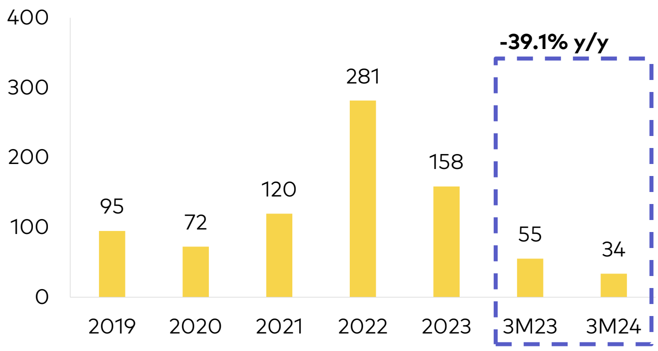
Source: Bloomberg

Figure 8: Black Sea Wheat Financially Settled (Platts) Futures, US$/ton



Source: Bloomberg

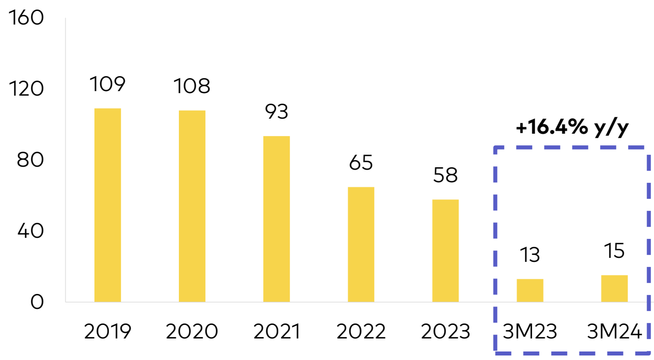
Figure 9: Nitrogenous fertilizers export from Georgia, US$ mn



The nitrogen fertilizers export value decreased by 39.1% y/y in 3M24. This decline was due to a substantial drop in the average price, which fell 53.8% y/y, as the export volume increased by 31.9% y/y.

Source: Geostat

Figure 10: Wheat import to Georgia, US$ mn



Wheat import value increased by 16.4% y/y in 3M24, while the volume increased by a significant 49.6% y/y, driven by the lower average import price (-22.2% y/y).

Source: Geostat

Metals & ores

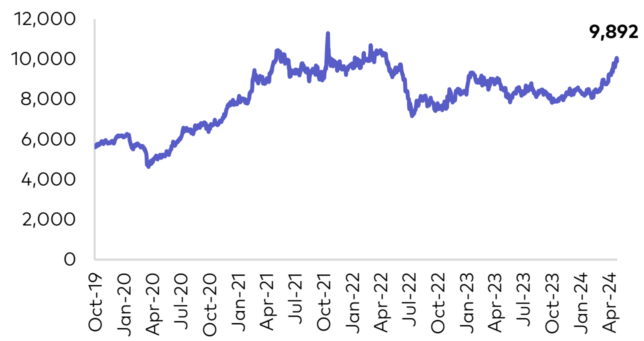
Copper ores and concentrates

In April 2024, copper price was up 12.8% m/m, briefly even pushing over US$ 10,000 per ton. Analysts expect significant copper shortage on the market, driven by improving industrial activities in key economies and limited supply growth prospects. Miners are not investing enough into building new mines (which may take years to become functional), instead they try to gain market share by acquisitions. For example, BHP Group is trying to buy Anglo American with a US$ 39bn proposal, which would make BHP the largest producer, holding 10% share of the market. According to the estimates of CRU Group, investment of up to US$ 150bn in new mines is needed to meet the growing demand.

Ferrosilicon

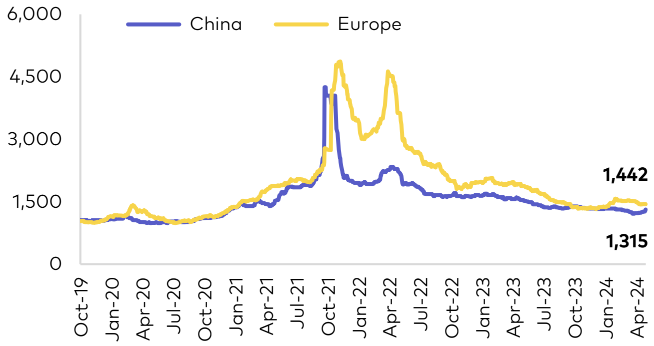
In April 2024, European ferrosilicon price was down 4.6% m/m, while its Chinese counterpart gained 7.3% m/m. Rise in Chinese prices is largely due to stronger exports as the local demand remains muted. China's net exports of steel rose 35% y/y in the first quarter of 2024. Meanwhile, local consumption fell 6.3% over the same period. According to the analysts, government's stimulus has so far been focused on less steel-intensive sectors and the local demand is unlikely to improve significantly in the second quarter.

Figure 11: LME copper spot price, US$/ton



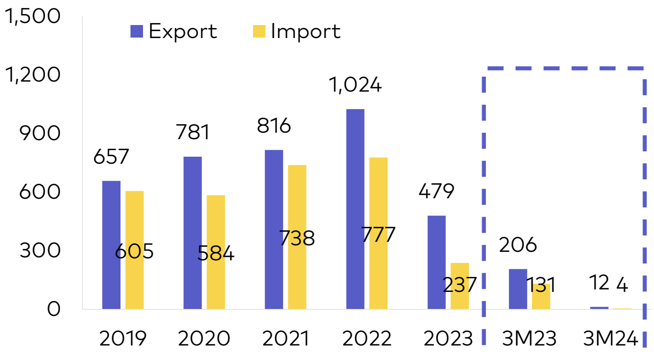
Source: Bloomberg

Figure 12: Ferrosilicon (75% grade) price, US$/ton



Source: Bloomberg

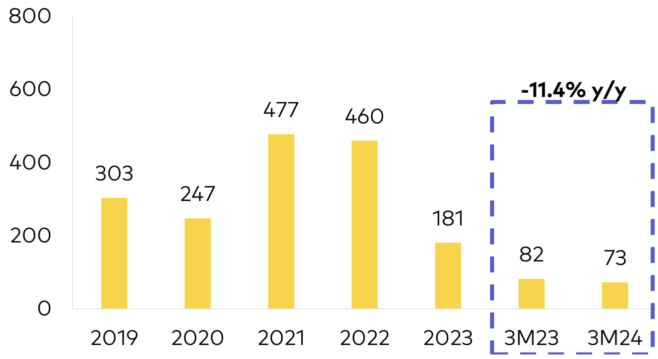
Figure 13: Copper (including ores) external trade of Georgia, US$ mn



As the majority of copper external trade is driven by re-export, it largely depends on external factors. Following the gradual decline in 2023, import and export are almost negligible in 3M24.

Source: Geostat

Figure 14: Ferroalloy export from Georgia, US$ mn



The ferroalloy export value decreased by 11.4% y/y in 3M24, while the export volume increased by 5.6%. It might be a temporary increase though as there was a large single purchase in April 2024.

Source: Geostat

Disclaimer

Head of Research
Eva Bochorishvili | evabochorishvili@gt.ge

Chief Economist
Lasha Kavtaradze | lashakavtaradze@gt.ge

Chief Analytics Officer
Giorgi Iremashvili | giremashvili@gt.ge

Head of Sector Research
Kakhaber Samkurashvili | ksamkurashvili@gt.ge

Head of Sector
Mariam Chakhvashvili | mchakhvashvili@gt.ge

Head of Sector
Tatia Mamrikishvili | tmamrikishvili@gt.ge

Associate
Giorgi Tskitishvili | g.tskitishvili@gt.ge

Senior Analyst
Zurab Tavkelishvili | ztavkelishvili@gt.ge

Senior Analyst
Sergi Kurashvili | s.kurashvili@gt.ge

Analyst
Dachi Mujirishvili | dmujirishvili@gt.ge

Analyst
Mariam Okropiridze | maokropiridze@gt.ge

Analyst
Otar Tsukhishvili | otsukhishvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia
Tel: + (995) 32 2401 111
Email: research@gt.ge