



GALT & TAGGART
CREATING OPPORTUNITIES



Commodities

Monthly Outlook

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Commodity price dynamics

Commodity	Price	Change, m/m*	Change, YTD	Price change from Jan-2021
Ammonium Nitrate US\$/ton	240.0	-2.0%	+33.3%	
Brent Oil US\$/bbl	72.9	-0.3%	-5.3%	
Copper US\$/ton	8,891.9	-5.1%	+5.1%	
Ferrosilicon (China) US\$/ton	1,255.0	-2.3%	-6.0%	
Ferrosilicon (Europe) US\$/ton	1,373.8	+1.2%	-0.7%	
Gold US\$/troy oz	2,643.2	-3.7%	+28.1%	
Natural gas US\$/mwh	50.5	+23.1%	+61.7%	
Wheat US\$/ton	219.0	-8.4%	-16.5%	

Source: Bloomberg

Note: prices as of 29 November, 2024

*m/m prices reflect end of month figures



Energy

Brent oil

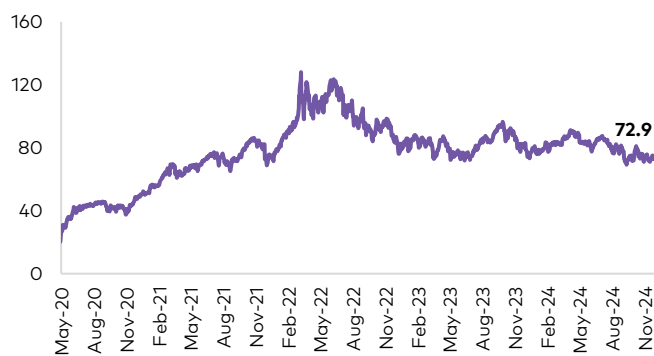
In November 2024, Brent oil price was down 0.3% m/m. Oil has been trading in a tight range since mid-October, driven by opposing bullish and bearish factors outweighing each other. Middle East conflict, Chinese demand, Trump's policies, and OPEC meeting remained the top themes of the market in November.

Israel and Hezbollah reached a cease-fire agreement, bringing more than a year of fighting to a halt. Despite reporting a few violations, deal appears to be holding so far. This marks a first major de-escalation of the conflict, potentially paving a way to cease-fire deal between Israel and Hamas in Gaza. Although it is more likely now than ever, there still are some notable challenges. Neither of the sides are ready for a compromise – Hamas demands Israel to leave Gaza, while Israel's objective is to completely eliminate Hamas' control on the territory.

Meanwhile, factory activity in China increased for two consecutive months in November, providing a glimpse of hope for oil traders. World's largest importer of crude has a significant impact on global price dynamics, but the recovery is not sufficient enough yet to meaningfully lift the prices. Especially as the market faces oversupply over 2025 driven by Trump and OPEC. President-elect has repeatedly promised to boost the US crude production even if it means producers "drill themselves out of business".

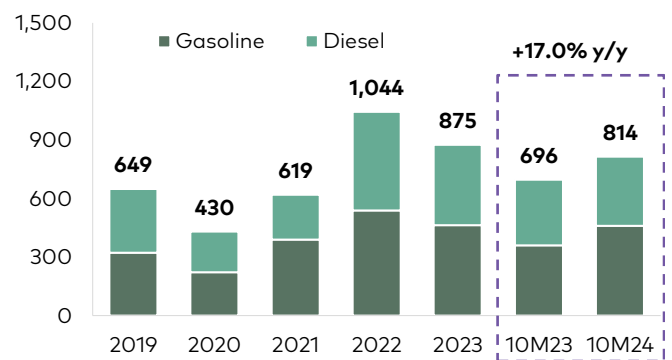
In addition, OPEC+ producers are planning to increase their production over the next year. The group was expected to bring back the barrels on the market starting from January, but at the latest meeting decided to push back the plan by 3 months to April 2025. Although the delay will keep a floor under prices in the near term, the pressures will persist nonetheless.

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 12.3% y/y in 10M24 and reached 1,022 tons, equivalent to US\$ 814mn. Average import price grew by 4.2% over the same period.

Source: Geostat



Energy

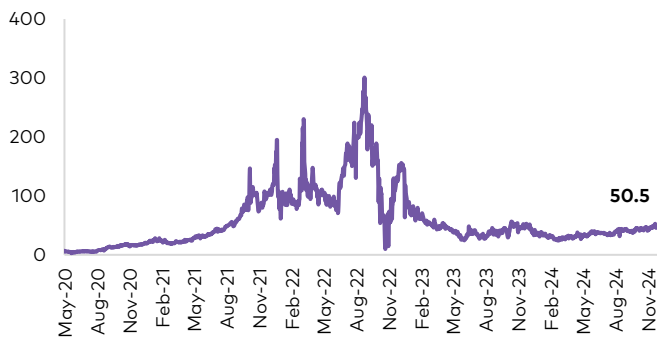
Natural gas

In November 2024, natural gas price was up 23.1% m/m. With the end of the Russia-Ukraine transit deal approaching and the colder than expected winter underway, natural gas prices jumped significantly over the month.

Gas transit deal via Ukraine is set to end at the end-2024, with no new agreement in sight. Although the gas from this pipeline accounts for only c. 5% of total Europe demand, it still has a significant effect on the prices, especially if it halts prematurely. US has recently surprised the market by sanctioning Gazprombank that handles payments for the Russian gas, elevating risks that the supplies may stop earlier than expected. In turn, Kremlin lifted some requirements for payments – for example, it now allows the payments to be made using third parties, partly alleviating fears. However, the concern of whether flows will continue on January 1, 2025 remains strong. Reportedly, in next year’s commercial plan of Gazprom the base case scenario includes no flows via Ukraine.

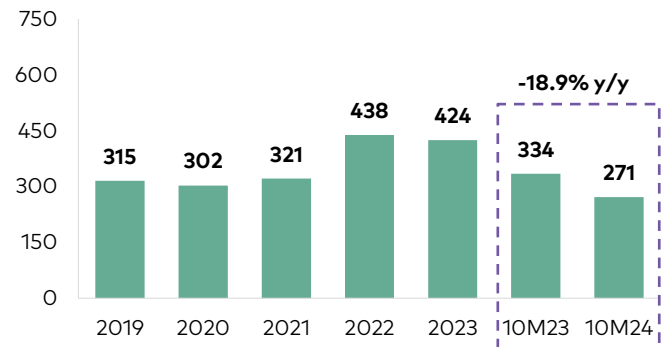
In addition, stronger than expected demand driven by the cold weather is affecting the prices. As of December 6, 2024, the gas storages in Europe are 83.6% full and are depleting at a faster than usual pace. This may easily become a significant issue for the continent at the late stage of winter. HSBC expects Europe to exit the heating season with inventories at 42% vs. 59% last year. Depleted inventories will affect summer demand as well when countries start refilling the stockpiles, preparing for the next winter.

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 18.9% y/y in 10M24 and was mostly driven by the lower import price as the volume decreased only by 5.4% y/y.

Source: Geostat



Precious metals

Gold

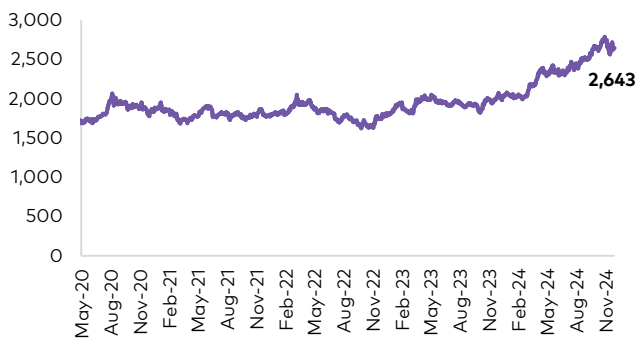
In November 2024, gold price was down 3.7% m/m. The yellow metal experienced a choppy trading over the month with declines following the Trump win and gradual recovery after the escalation in Ukraine-Russia war.

Republican sweep (Trump presidency and the control of Congress) temporarily reversed the gold's rally. Historically, election result takes some element of risk out of the market, translating into outflows from the yellow metal holdings. In addition, Trump's pledged policies may easily reignite the inflation in the US, forcing the Fed to slow the cutting pace and leave the interest rates elevated. Higher rates are negative for gold as it has limited competitiveness to high-yielding treasuries. However, potential tariff war between US and the rest of the world should keep the demand for gold strong.

Later though, Biden administration allowed Ukraine to use its long-range ATACMS missiles deep into Russia, marking a new escalation in the war. This flocked some traders into safe haven assets – gold had the best-performing week in over 20 months.

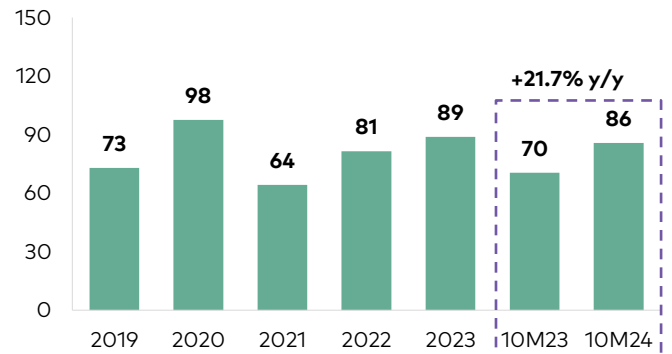
Consequently, Trump victory does generate some short-term headwinds for the precious metal. However, the fundamental factors (wars, geopolitical tensions, central bank purchases) that drove the gold to record-highs over the past two years are still in place. Therefore, top investment banks, including Goldman Sachs and UBS are still bullish towards the metal over 2025.

Figure 5: Gold price, US\$/troy ounce



Source: Bloomberg

Figure 6: Gold export from Georgia, US\$ mn



The gold export volume was down 2.7% y/y in 10M24. Notably, following the global price surge, average export price was up by 25.1% y/y in 10M24, increasing export value by 21.7% y/y.

Source: Geostat



Agriculture

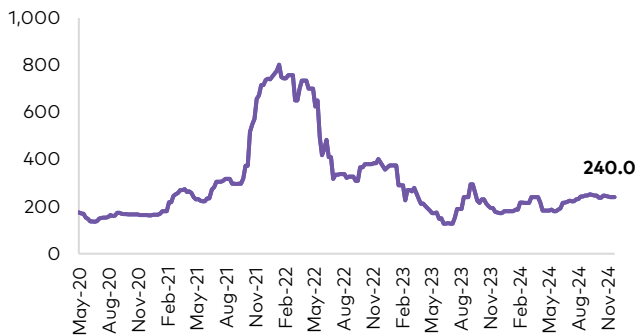
Ammonium nitrate

In November 2024, ammonium nitrate price was down 2.0% m/m. Difficulties in the fertilizer industry persists. The demand due to affordability is still low as the prices are up 33.3% since the beginning of 2024. The price is likely to increase more as the natural gas prices are expected to keep rising over the winter. Natural gas is the key ingredient in ammonium nitrate production, accounting for c. 45% of the cost of goods sold (COGS).

Wheat

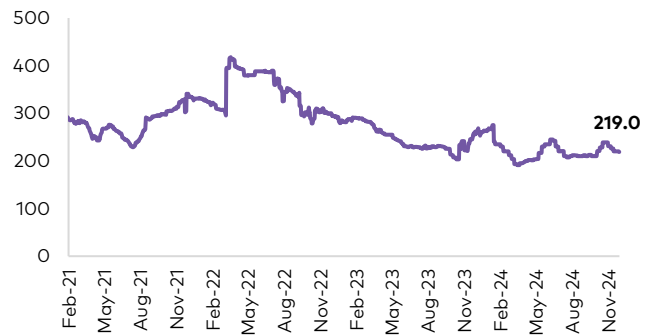
In November 2024, wheat price was down 8.4% m/m. The commodity is set to close the year with double digit decline in prices. However, the trend may easily turn around as the outlook for future harvests remain gloomy. In the US, drought puts c. 50% of winter wheat crop in danger. Meanwhile, Russia once again limited its export quotas due to smaller domestic production volumes. Hence, the wheat shipments are expected to slow down over the next few months.

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



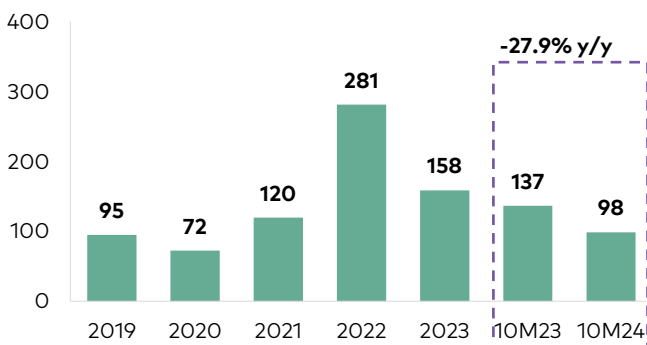
Source: Bloomberg

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



Source: Bloomberg

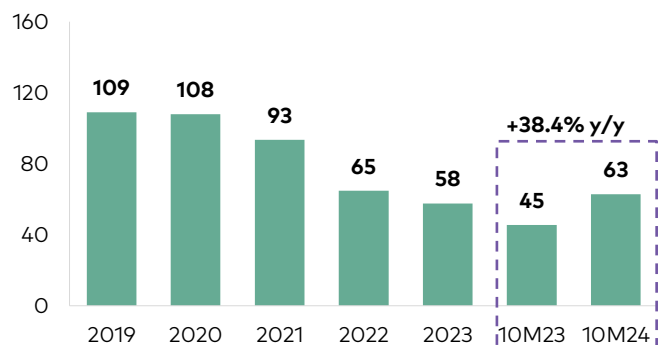
Figure 9: Nitrogenous fertilizers export from Georgia, US\$ mn



The nitrogen fertilizers export value decreased by 27.9% y/y in 10M24. Notably, the decline was driven by significantly reduced average price (-23.4% y/y), as the export volume decreased by only 5.8% y/y.

Source: Geostat

Figure 10: Wheat import to Georgia, US\$ mn



Wheat import value increased by 38.4% y/y in 10M24, while the volume increased by a significant 56.5% y/y, driven by the lower average import price (-11.5% y/y).

Source: Geostat



Metals & ores

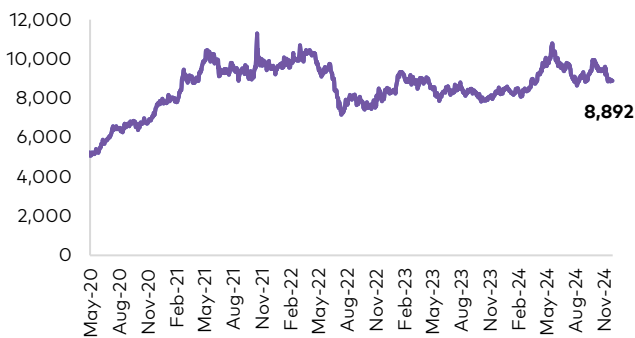
Copper ores and concentrates

In November 2024, copper price was down 5.1% m/m. Chile, the world's top copper supplier, has increased its mining activities over the last months, recording the most productive October since 2019. In addition, Chinese traders halted copper scrap imports from US amid fears of Trump's tariffs. The scrap is used in copper production and then later re-exported as pure copper. As the president-elect's pledged 60% tariff on China looms, traders chose not to take on extra risk.

Ferrosilicon

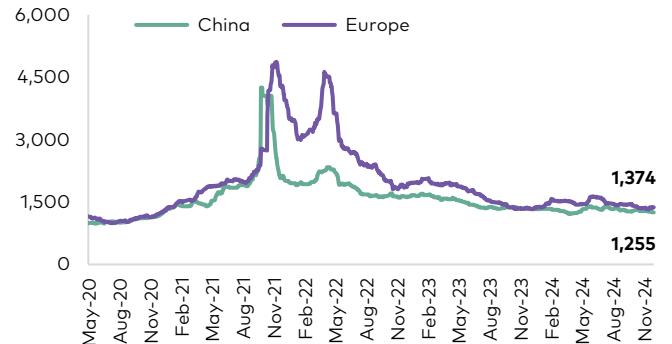
In November 2024, European ferrosilicon was up 1.2% m/m, while its Chinese counterpart lost 2.3% m/m. Stimulus measures disappointed the Chinese producers, leaving domestic demand weak. Instead, producers are now focused on export volumes, trying to ship as much as possible before Trump takes office in January 2025 and potentially puts higher tariffs on Chinese goods. Consequently, vast volumes of exports pressure global prices as well.

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



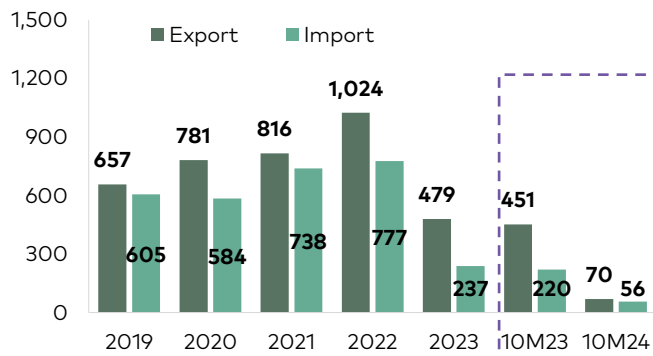
Source: Bloomberg

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



Source: Bloomberg

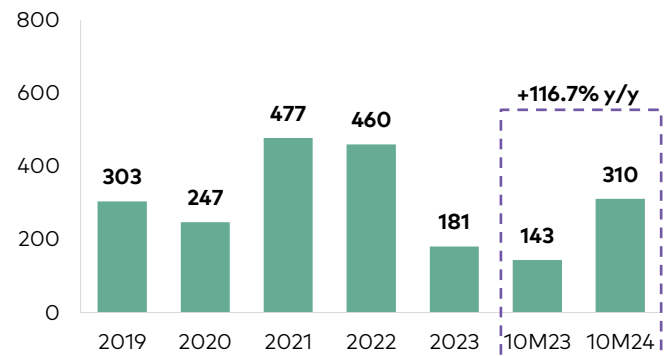
Figure 13: Copper (including ores) external trade of Georgia, US\$ mn



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, as well as export are almost negligible in 10M24.

Source: Geostat

Figure 14: Ferroalloy export from Georgia, US\$ mn



The ferroalloy export value increased by 116.7% y/y in 10M24, while the export volume grew by 127.6% y/y and reached 270k tons. Export is expected to slow in coming months.

Source: Geostat



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