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CREATING OPPORTUNITIES

# Commodities Monthly Outlook

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## Commodity price dynamics

| Commodity                                | Price          | Change, m/m*  | Change, YTD   | Price change from Jan-21 to date |
|--|----------------|---------------|---------------|----------------------------------|
| <b>Ammonium Nitrate</b><br>US\$/ton      | <b>240.0</b>   | <b>+26.3%</b> | <b>-36.0%</b> |                                  |
| <b>Brent Oil</b><br>US\$/bbl             | <b>86.9</b>    | <b>+1.5%</b>  | <b>+1.1%</b>  |                                  |
| <b>Copper</b><br>US\$/ton                | <b>8,404.5</b> | <b>-4.5%</b>  | <b>+0.5%</b>  |                                  |
| <b>Ferrosilicon (China)</b><br>US\$/ton  | <b>1,335.0</b> | <b>-2.9%</b>  | <b>-18.8%</b> |                                  |
| <b>Ferrosilicon (Europe)</b><br>US\$/ton | <b>1,484.9</b> | <b>-3.6%</b>  | <b>-25.1%</b> |                                  |
| <b>Gold</b><br>US\$/troy oz              | <b>1,940.2</b> | <b>-1.3%</b>  | <b>+6.4%</b>  |                                  |
| <b>Natural gas</b><br>US\$/mwh           | <b>33.6</b>    | <b>+12.0%</b> | <b>-52.5%</b> |                                  |
| <b>Wheat</b><br>US\$/ton                 | <b>231.0</b>   | <b>+2.2%</b>  | <b>-18.2%</b> |                                  |

Source: Bloomberg

\*m/m prices reflect end of month figures



# Energy

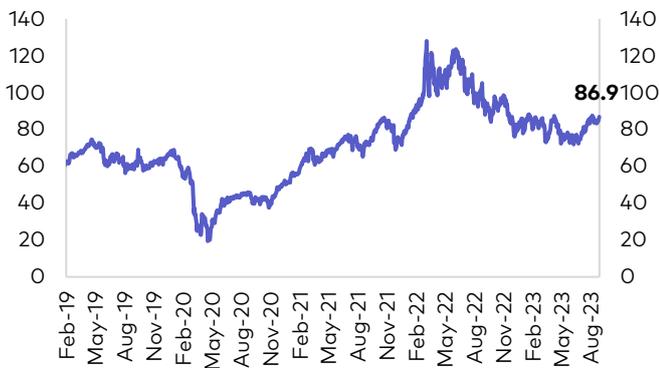
## Brent oil

In August 2023, the price of Brent oil was up by 1.5% m/m. After a rally in July and early August, which was triggered by Saudi Arabia and Russia announcing production cuts, crude oil prices stabilized at around US\$ 85 throughout August. Notably, concerns about China's economic outlook (JP Morgan downgraded FY23 forecast to 4.8% vs 6.4% previously) along with rising interest rates are influencing the oil market along with high probability of US ending its limits on Iran and Venezuela's oil exports. Markedly, hedge funds have also shifted their positions, with some liquidating bullish long positions and speculating on future price declines.

## Natural gas

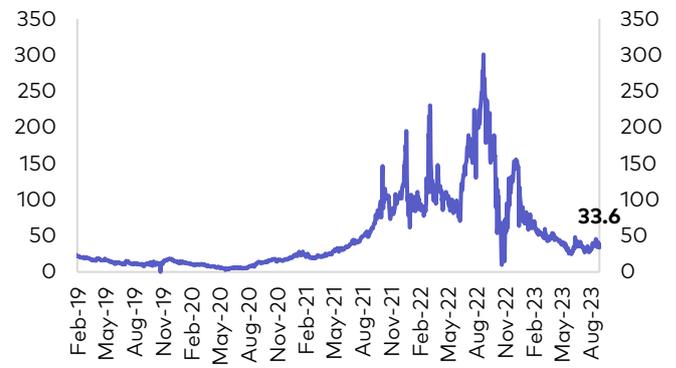
In August 2023, natural gas price was up 12.0% m/m. Europe is facing alarm over volatile natural gas prices, primarily driven by outages in Australia, a key liquefied natural gas (LNG) exporter. Europe's reliance on LNG has surged to approximately 40% of its energy mix due to political tensions with Russia, making the continent vulnerable to energy shocks. As a result, Europe is competing with Asian buyers for LNG cargoes, especially from the USA. Currently, lower industrial activity in Europe and storage which is above 90%, keeps prices relatively stable. However, should the winter be colder-than-expected, natural gas prices expected to be volatile.

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



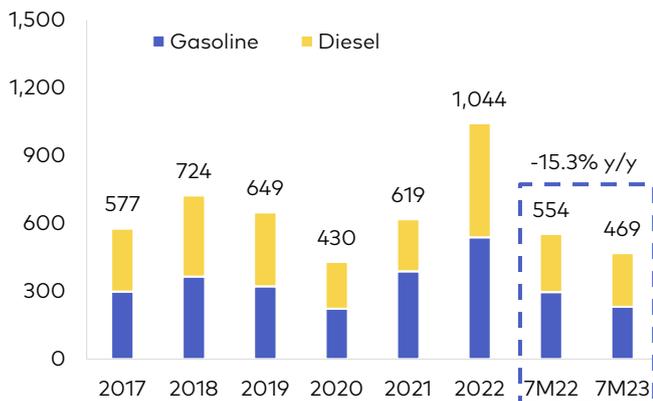
Source: Bloomberg

**Figure 2: Natural gas price (ICE Endex Dutch TTF), US\$/mwh**



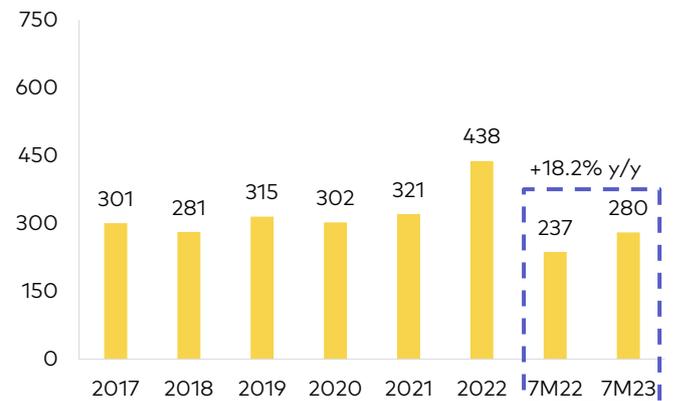
Source: Bloomberg

**Figure 3: Oil products import to Georgia, US\$ mn**



Source: Geostat

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



Source: Geostat



# Agriculture

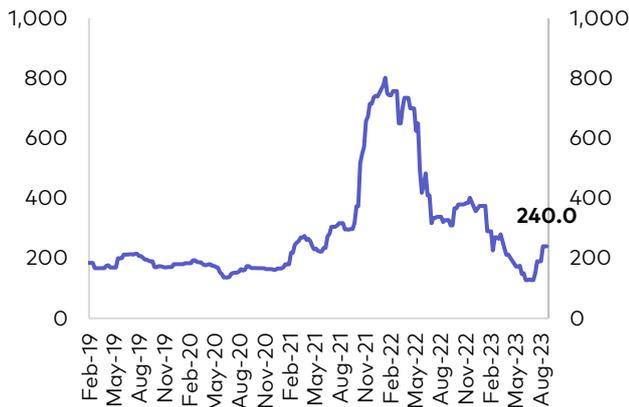
## Ammonium nitrate

In August 2023, ammonium nitrate price was up 26.3% m/m, reaching the highest level since Mar-23. This rise is driven by volatile natural gas prices in Europe, a key input for fertilizer production. In particular, Europe's fertilizer industry had closed or reduced output at 10 plants in Jul-23 due to rising operating costs. While fertilizer exports from Russia have mostly normalized, there are concerns about nitrogen-rich ammonia supplies, and the market is expected to remain tight, with uncertainty in Europe adding further pressure.

## Wheat

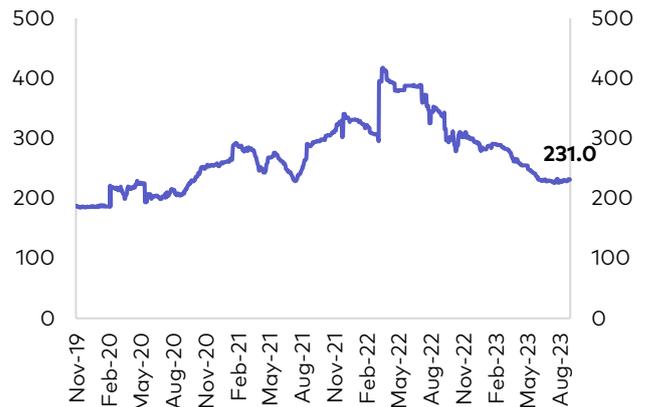
In August 2023, wheat price was up 2.2% m/m. Uncertainty in wheat supplies continues from the ongoing Russia-Ukraine war and suspension of Black Sea Grain Deal. Additionally, dry conditions in Canada, a major wheat producer, are expected to result in a 14% drop in production in 2023 compared to the previous year. Despite uncertainties, wheat prices are still over 20% lower than last year due to abundant Northern Hemisphere harvests.

Figure 5: Black Sea ammonium nitrate spot price, US\$/ton



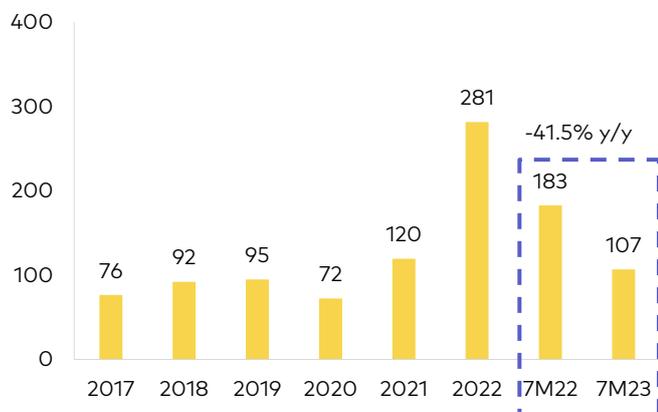
Source: Bloomberg

Figure 6: Black Sea Wheat Financially Settled (Platts) Futures, US\$/ton



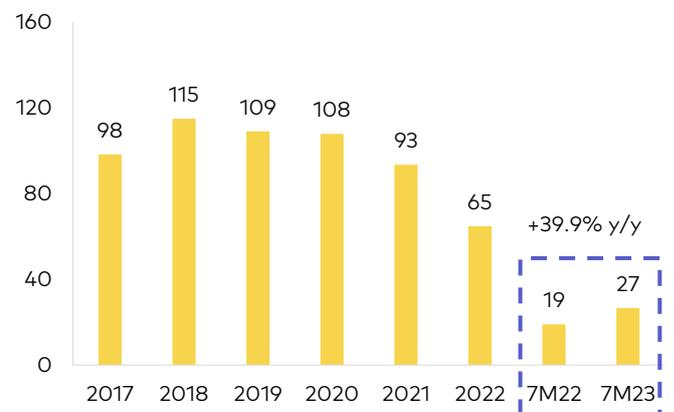
Source: Bloomberg

Figure 7: Nitrogenous fertilizers export from Georgia, US\$ mn



Source: Geostat

Figure 8: Wheat import to Georgia, US\$ mn



Source: Geostat



# Metals & ores

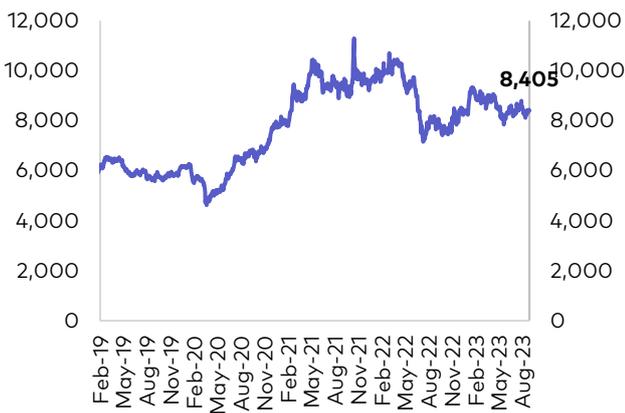
## Copper ores and concentrates

In August 2023, copper price was down 4.5% m/m. Copper prices fluctuated recently, rising initially due to hopes of Chinese (largest copper consumer) stimulus but later falling amid weaker-than expected Chinese data and a stronger US dollar. Several major copper mining companies lowered their 2023 production forecasts due to operational issues, reducing the global copper production outlook. However, regarding peak seasonal activity in Chinese copper sector since September, LME 3M copper price is forecasted at around US\$ 8,600, according to S&P Global.

## Ferrosilicon

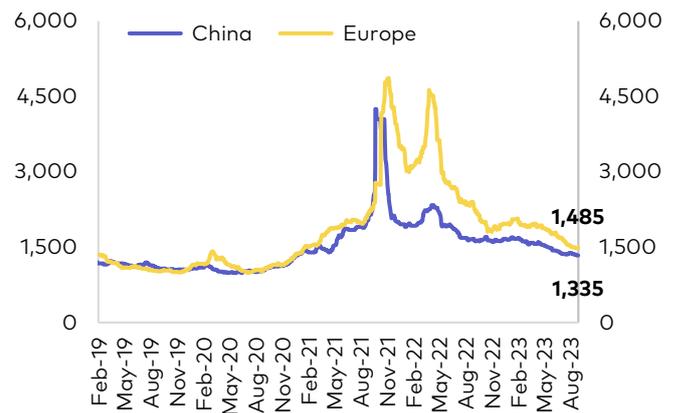
In August 2023, prices of Chinese and European ferrosilicon were further down by 2.9% and 3.6% m/m, respectively, showing no signs of reversal in price trends. A weak global demand has also been reflected in Georgian exports of ferroalloys, decreasing by 68.6% y/y in 7M23.

**Figure 9: LME copper spot price, US\$/ton**



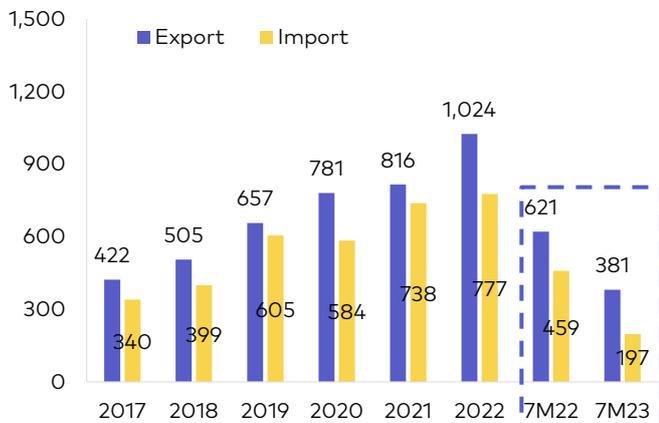
Source: Bloomberg

**Figure 10: Ferrosilicon (75%) price, US\$/ton**



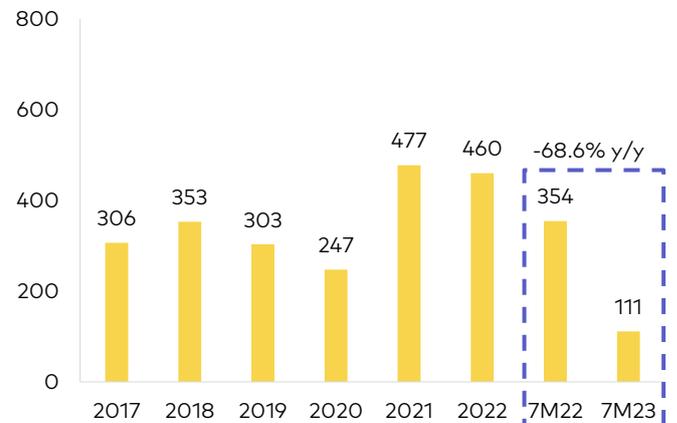
Source: Bloomberg

**Figure 11: Copper (including ores) external trade of Georgia, US\$ mn**



Source: Geostat

**Figure 12: Ferroalloy export from Georgia, US\$ mn**



Source: Geostat

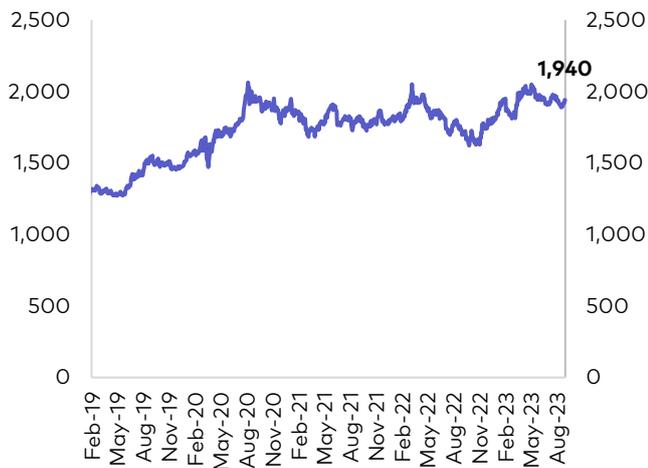


# Precious metals

## Gold

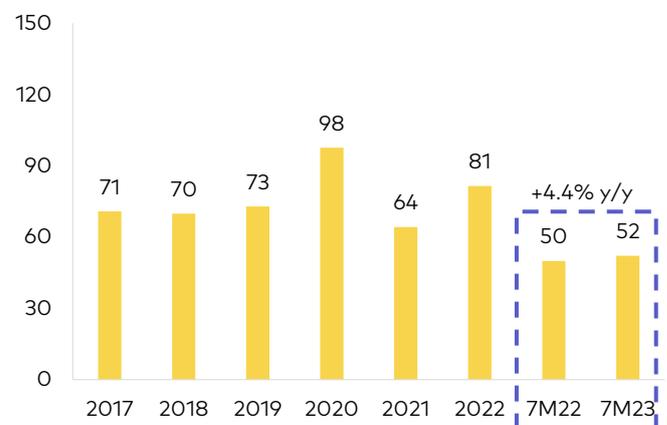
In August 2023, gold price was down 1.3% m/m. Despite rising real yields, a stronger US dollar, and the possibility of prolonged higher US interest rates, gold has not lost its attractiveness. Moreover, uncertainty surrounds when the Federal Reserve will conclude its tightening cycle, which will be important boost for gold prices. Furthermore, geopolitical tensions, macroeconomic uncertainties and potential pent-up demand from investors who are waiting FED to finish rate hikes, continue to make gold appealing. Gold currently trades near \$1,940 per ounce, with forecasts ranging around US\$ 2,000-2,100 to some predicting it could even reach a record \$2,250 per ounce.

**Figure 13: Gold price, US\$/troy ounce**



Source: Bloomberg

**Figure 14: Gold export from Georgia, US\$ mn**



Source: Geostat



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