



GALT & TAGGART
CREATING OPPORTUNITIES

Commodities Monthly Outlook

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Commodity price dynamics

Commodity	Price	Change, m/m*	Change, YTD	Price change from January 2021 up to date
Ammonium Nitrate US\$/ton	180.0	+1.4%	-52.0%	
Brent Oil US\$/bbl	77.0	-7.0%	-10.3%	
Copper US\$/ton	8,463.9	+0.9%	+1.2%	
Ferrosilicon (China) US\$/ton	1,335.0	0.0%	-18.8%	
Ferrosilicon (Europe) US\$/ton	1,383.0	+3.2%	-30.2%	
Gold US\$/troy oz	2,063.0	+1.3%	+13.1%	
Natural gas US\$/mwh	32.2	-29.7%	-54.5%	
Wheat US\$/ton	262.3	+2.6%	-7.1%	

Source: Bloomberg

*m/m prices reflect end of month figures



Energy

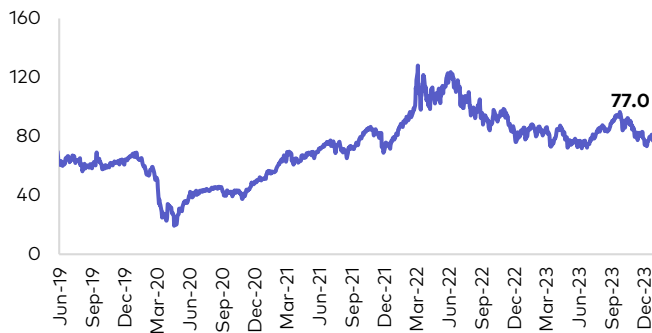
Brent oil

In December 2023, Brent oil price was down 7.0% m/m (-10.3% y/y). Situation in the Red Sea has a notable impact on the commodities and pushed the prices up for a short period – attacks of Yemeni Houthis forced vessels to avoid the Suez Canal by detouring around Africa. Despite the ongoing conflict in the Red Sea and the Middle East in general, oil prices keep declining, mostly due to more than expected exports from US. Top investment banks cut Brent price forecasts for 2024 following the increased production from non-OPEC+ countries (mainly US). Average forecast from top five investment banks stands at US\$ 81 for 2024.

Natural gas

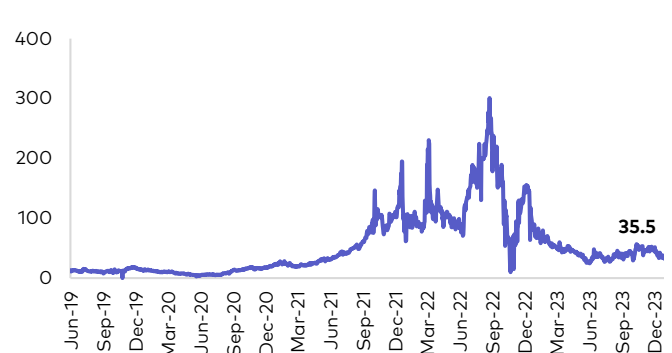
In December 2023, natural gas price was down 29.7% m/m (-54.5% y/y). Much like oil, gas prices saw upticks due to rebel attacks in the Red Sea, gaining 6.8% in a single trading session after US struck on Iraqi targets. Some LNG cargoes are already using much longer routes for deliveries, taking more than a month in order to avoid the Red Sea. In addition, the weather is expected to worsen in Europe, pushing demand for natural gas up. Despite the low temperatures and the supply risks related to the Red Sea, high level of inventories (86%) in Europe will keep the prices in check for at least the short-term period.

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



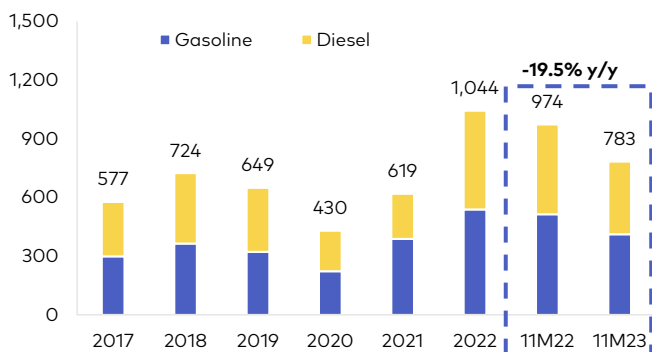
Source: Bloomberg

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



Source: Bloomberg

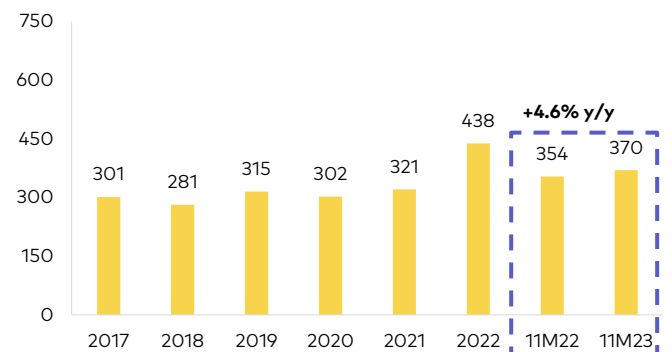
Figure 3: Oil products import to Georgia, US\$ mn



The gasoline and diesel import value decreased by 19.5% y/y in 11M23 driven by the uptake of relatively cheaper import markets.

Source: Geostat

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



The natural gas import increased by 4.6% y/y in value and by 3.4% y/y to 2.7 million cubic meters in 11M23.

Source: Geostat



Agriculture

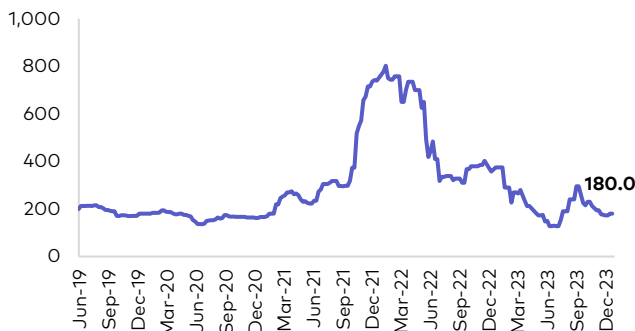
Ammonium nitrate

In December 2023, ammonium nitrate price was up 1.4% m/m (-52.0% y/y). The modest growth is in-line with our previous review and underscores the forecast of the narrow trading range of the commodity this winter. As expected, ammonium nitrate's key component – natural gas cost pressure eased and will likely continue so unless the wider escalation in the Middle East. On the contrary, China is still focusing on own inventory increase rather than exports and the hot weather in Brazil sped up soybean harvest – farmers are already switching to corn planting (one of its earliest starts), that might have a slight upward pull on fertilizer prices.

Wheat

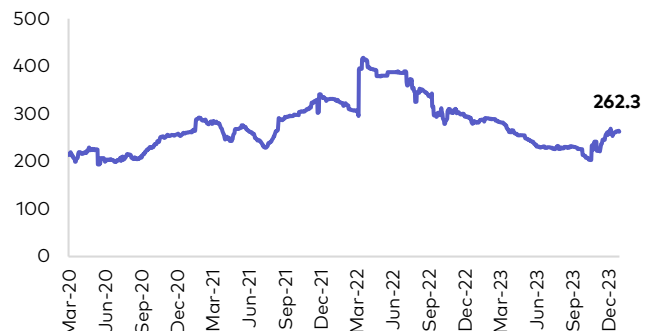
In December 2023, wheat price was up 2.6% m/m (-7.1% y/y). According to the London Stock Exchange Group (LSEG) data, in December Ukraine has shipped its largest monthly volumes of wheat and corn since March, including the vessels routed to Asia. Larger supply was outweighed by Ukrainian grain ship hitting a mine in the Black Sea, raising fears of escalation in the region. Wheat prices on Chicago Exchange jumped 2.1% on the news, following the already present supply risks in the Red Sea. In addition, as mentioned in the previous review, Beijing is set to buy record volumes of wheat. Increased export from US to China leaves smaller-than-expected domestic inventories to US, further strengthening the Chicago prices.

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



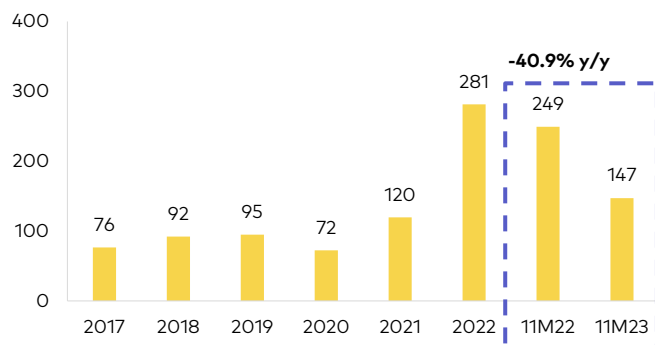
Source: Bloomberg

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



Source: Bloomberg

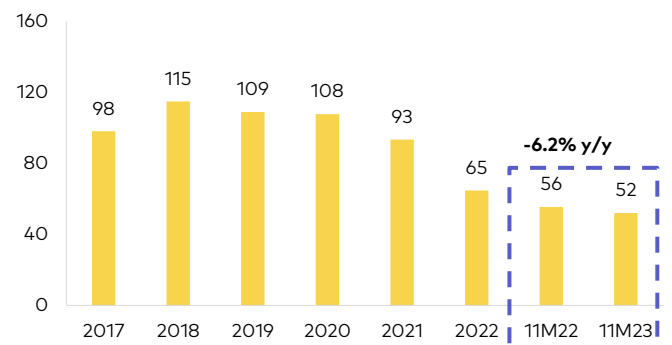
Figure 7: Nitrogenous fertilizers export from Georgia, US\$ mn



The nitrogen fertilizers export value decreased by 40.9% y/y in 11M23, which is related to a sharp decrease in prices, as the volume of exports increased slightly by 0.5% y/y to 409,000 tons.

Source: Geostat

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



Wheat import value decreased by 6.2% y/y in 11M23. In recent years, the import of wheat in Georgia is being replaced by the import of wheat flour and the increase of local production.

Source: Geostat



Metals & ores

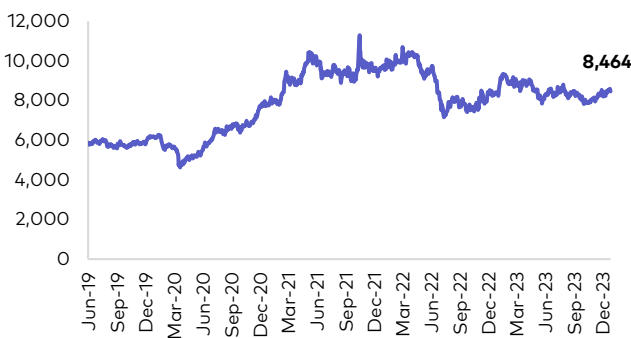
Copper ores and concentrates

In December 2023, copper price was up 0.9% m/m (+1.2% y/y). Key consumer – China’s factory activity expanded at a quicker-than-expected pace in December, lifting demand for copper, pushing prices 1.2% higher vs January 2023. In addition, copper and lithium remain dominant in adoption of renewable energy – manufacturing of EVs, power grids, and wind turbines. Rising demand from green energy transition is likely to push prices higher. Production cuts from First Quantum Minerals in Panama, due to Supreme Court ruling, is set to send market into deficit in 2024. Goldman Sachs expects metal price to reach \$10,000 per ton within a year.

Ferrosilicon

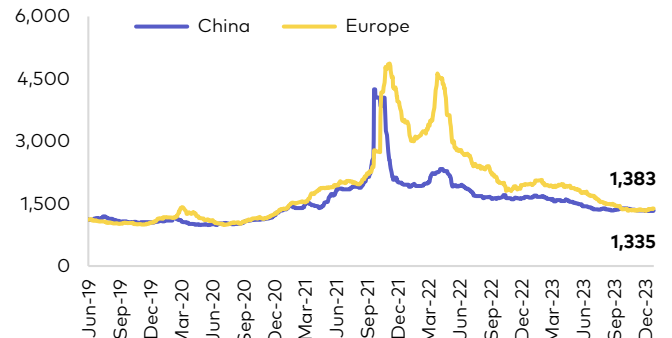
In December 2023, European ferrosilicon was up 3.2% m/m, while its Chinese counterpart stayed constant at \$1,335 per ton. Despite the modest gains in Europe, recovery of the two metals were a little to none in 2023, closing the year at -30.2% (European) and -18.8% (Chinese). Low global prices were reflected in Georgian foreign trade with 67.4% y/y decrease in ferroalloy exports.

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



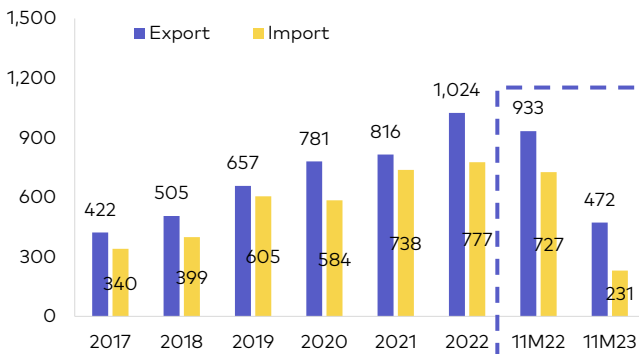
Source: Bloomberg

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



Source: Bloomberg

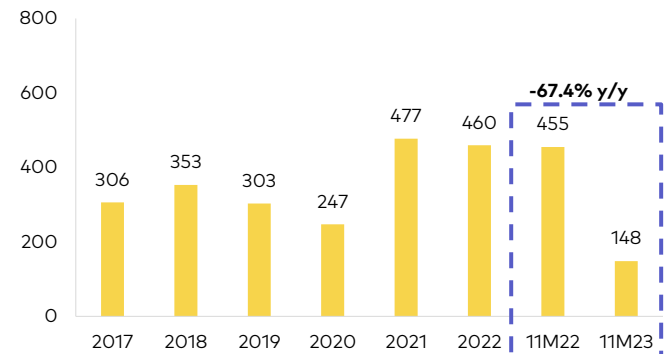
Figure 11: Copper (including ores) external trade of Georgia, US\$ mn



The majority of copper external trade is driven by re-export. The value of exported copper decreased by 49.4% y/y in 11M23 to US\$ 472mn.

Source: Geostat

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



The ferroalloy export value decreased by 67.4% y/y in 11M23, which can be explained by a sharp decline in prices, which prompted producers to reduce the volume of exports as well.

Source: Geostat

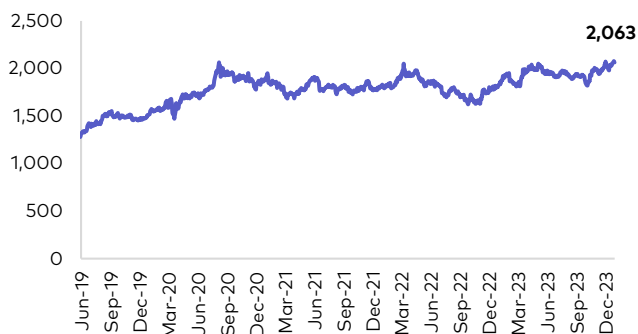


Precious metals

Gold

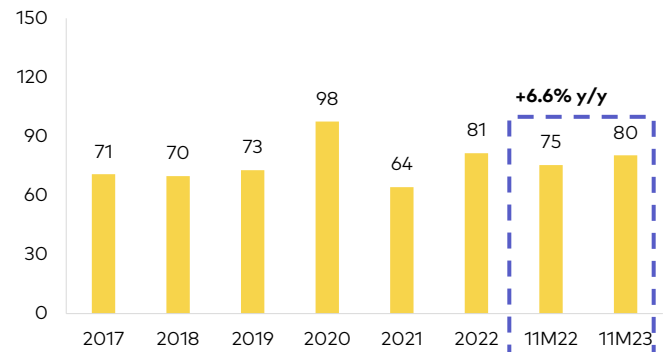
In December 2023, gold price was up 1.3% m/m. It closed the year up by 13.1%, first yearly gain in three years. According to many analysts, despite the strong year, gold can still push higher in 2024, mainly driven by the central banks in developed countries cutting rates. Jerome Powell playing the pivotal role – following the cooler inflation in US, FED is likely to have at least 1.5ppts lower rates in a year's time. In addition, one of the largest retail consumer countries – India is showing healthy demand of the precious metal. Coupled with central banks' growing appetite for diversifying their reserves with gold and slowdown in global mining have set bullion to reach new heights in 2024. Meanwhile, gold found its new support level, settling above \$2,000 per ounce in 18 out of 20 trading sessions in December 2023.

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



Source: Bloomberg

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



The gold export value increased by 6.6% y/y in 11M23, driven by higher prices, as the volume of exports is constant at 2.46 tons.

Source: Geostat



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