



GALT & TAGGART
CREATING OPPORTUNITIES

Commodities Monthly Outlook

4 October 2023

Eva Bochorishvili

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

Kakhaber Samkurashvili






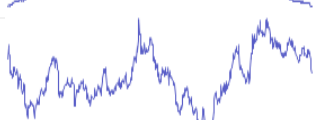


Head of Sector Research | ksamkurashvili@gt.ge | +995 322 401 111 ext.4298

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 Jan-21 to date
Ammonium Nitrate US\$/ton	215.0	-10.4%	-42.7%	
Brent Oil US\$/bbl	95.3	+9.7%	+10.9%	
Copper US\$/ton	8,212.5	-2.3%	-1.8%	
Ferrosilicon (China) US\$/ton	1,385.0	+3.7%	-15.8%	
Ferrosilicon (Europe) US\$/ton	1,365.4	-8.1%	-31.1%	
Gold US\$/troy oz	1,848.6	-4.7%	+1.3%	
Natural gas US\$/mwh	40.2	+19.7%	-42.2%	
Wheat US\$/ton	213.3	-7.7%	-24.4%	

Source: Bloomberg

*m/m prices reflect end of month figures



Energy

Brent oil

Brent oil closed September at US\$ 95.3 (+9.7% m/m), driven by Saudi Arabia and Russia extending their production cuts by the end of 2023. The recent rally raised the prospect of US\$ 100-a-barrel oil, but few are convinced of its sustainability in the near term. Goldman Sachs forecasts U.S. crude price to average US\$ 88 in 4Q23, while Barclays expects Brent to trade at US\$ 92 in 4Q23 (US\$ 84 average in FY23). Analysts are convinced the demand growth is slowing (Americans fly and drive less, China starts to use own crude inventories, speculators are maxed out on long positions) and supply is increasing with Saudi Arabia likely to intervene if prices rise too high.

Natural gas

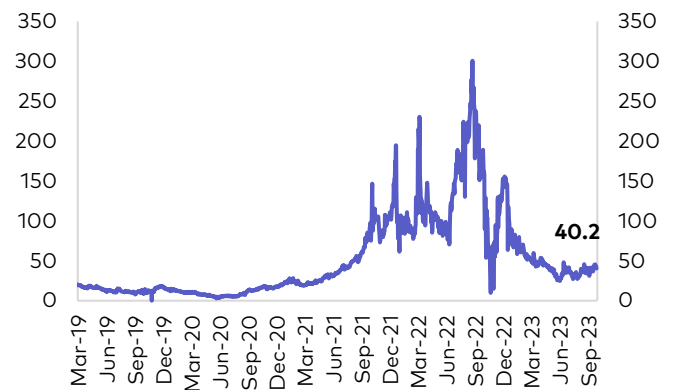
In September 2023, natural gas price was up by 19.7% m/m. Despite the monthly gain, the price stumbled by -10.6% w/w by end-of-month as traders considered the possibility of lower demand due to milder European weather in October, but overall remained cautious about the risk of supply disruptions. Gas in Europe is being pumped into the storage tanks, which are now circa 95% full as S&P Global expects gas and power demand to be higher in 4Q23 and prices to remain sensitive to volatile supply. On the other hand, Saudi Arabia makes a strategic shift to the natural gas market – Saudi Aramco acquiring stakes in MidOcean Energy with interests in four Australian LNG projects. Other oil players are also investing heavily in gas as Wood Mackenzie expects the demand of LNG to rise by 70% through 2050.

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



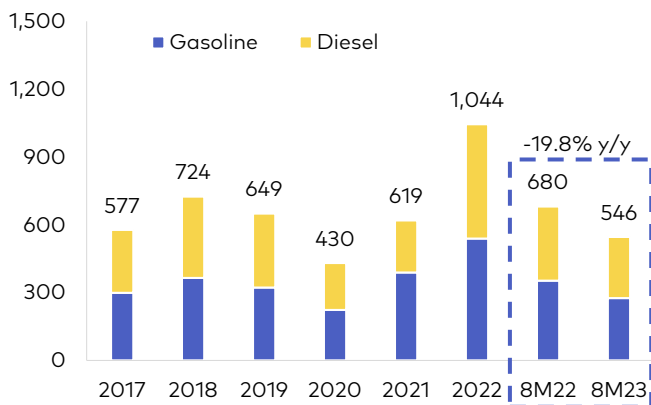
Source: Bloomberg

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



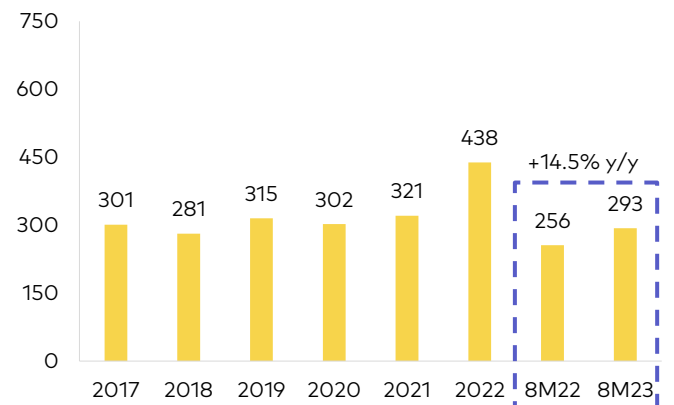
Source: Bloomberg

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 September 2023, ammonium nitrate was down by 10.4% m/m, but the prices are expected to remain elevated due to volatility of natural gas price in Europe, a main input for fertilizer production. In September, the largest producer of fertilizers, China has asked local producers to limit exports following the domestic price surge. The global indexes jumped on the news, ammonium nitrate reaching US\$ 295 per ton, highest since Jan-23, but finally closing the month at US\$ 215. Lastly, one of Britain's largest suppliers of carbon dioxide, CF Industries Holdings Inc. halted ammonia production due to soaring natural gas prices.

Wheat

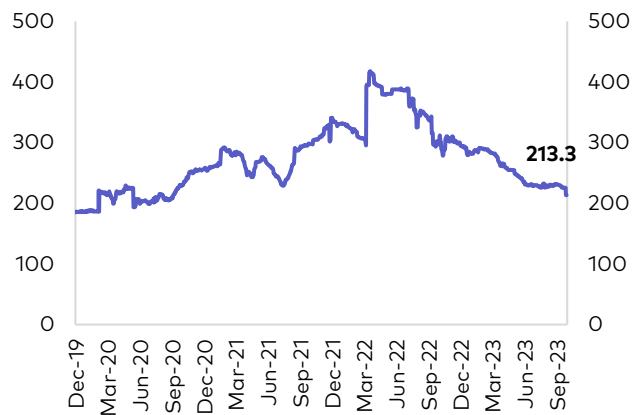
In September 2023, wheat price was down by 7.7% m/m to the lowest level in three years, following the larger-than-expected US supplies. In the first three weeks of Sept-23 price averaged US\$ 228, but the US Department of Agriculture showed domestic production and stockpiles to be above forecasts. Global futures fell on the news with Chicago futures declining by more than 6%, Black Sea futures by 5.5%, closing the month at US\$ 213.3 per ton.

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



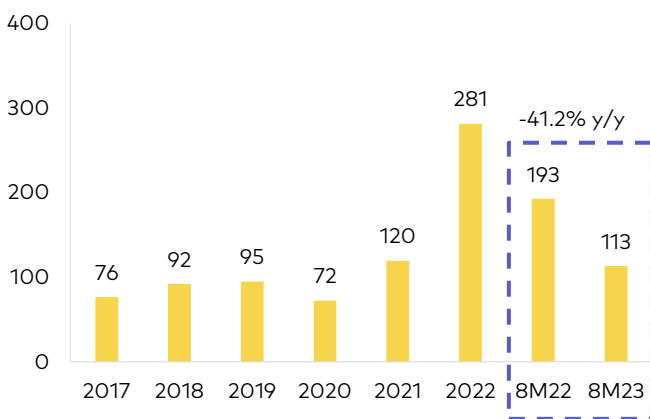
Source: Bloomberg

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



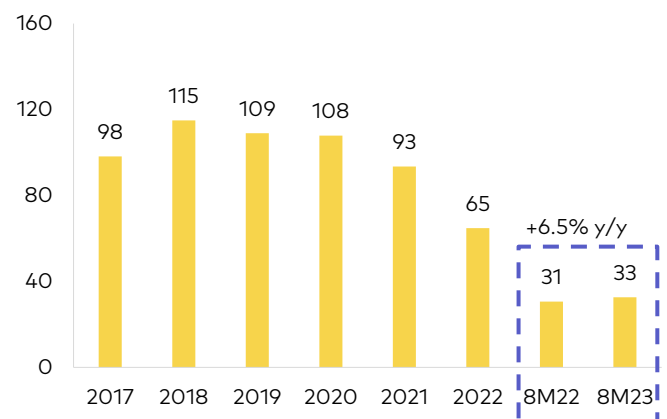
Source: Bloomberg

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



Source: Geostat

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



Source: Geostat



Metals & ores

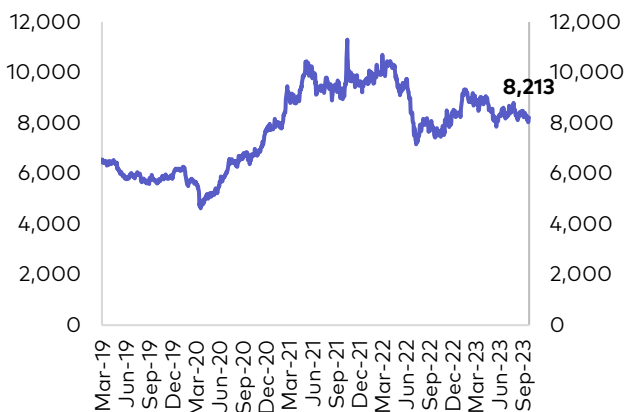
Copper ores and concentrates

In September 2023, copper price was down by 2.3% m/m. Chinese copper production reached a record high in August according to the National Bureau of Statistics. Coupled with rising inventories on the London Metal Exchange and the Shanghai Futures Exchange, prices are expected to remain low. Main drag to the copper price is the bumpy recovery of China – the largest consumer of commodities has tried to boost economic growth in recent months, but according to analysts, it has not been enough to push the copper prices into green territory in 2023 (currently -1.8% YTD).

Ferrosilicon

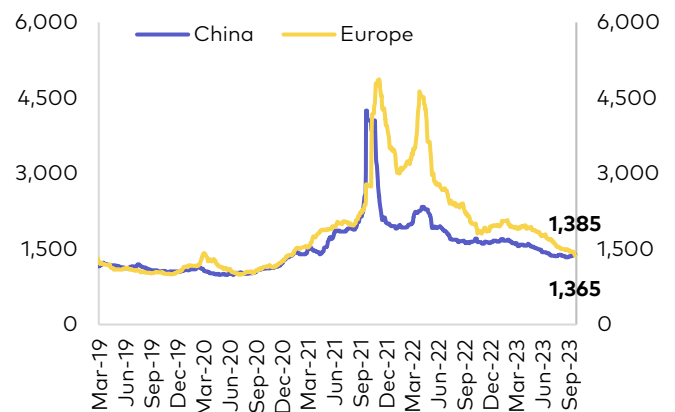
In September 2023, European ferrosilicon further decreased by 8.1% m/m, while Chinese gained 3.7%, first monthly increase since Jan-23. This can either be a long-awaited reversal in prices or a temporary gain, depending on the performance of Chinese economy in the upcoming months. Weak global demand, hence the lower prices have been reflected in Georgian exports of ferroalloys, decreasing by 69.1% y/y in 8M23.

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



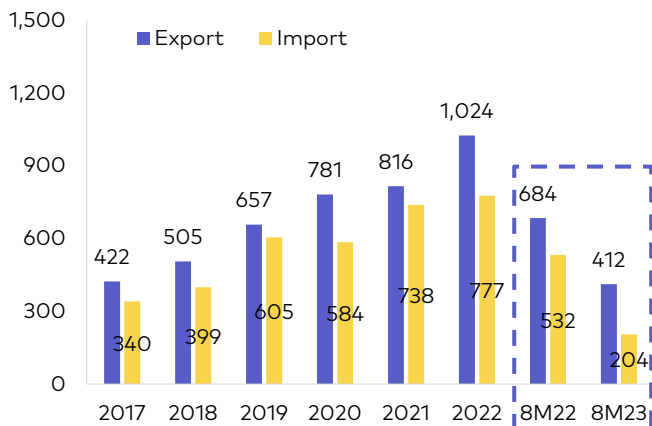
Source: Bloomberg

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



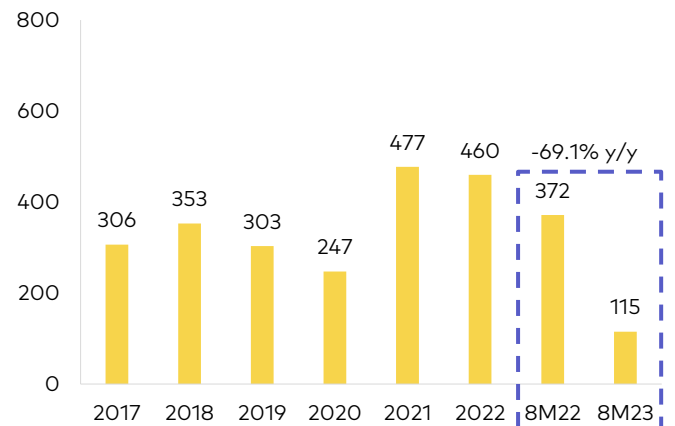
Source: Bloomberg

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



Source: Geostat

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



Source: Geostat

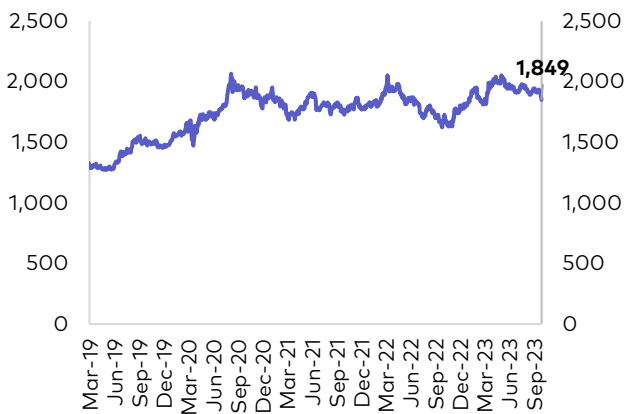


Precious metals

Gold

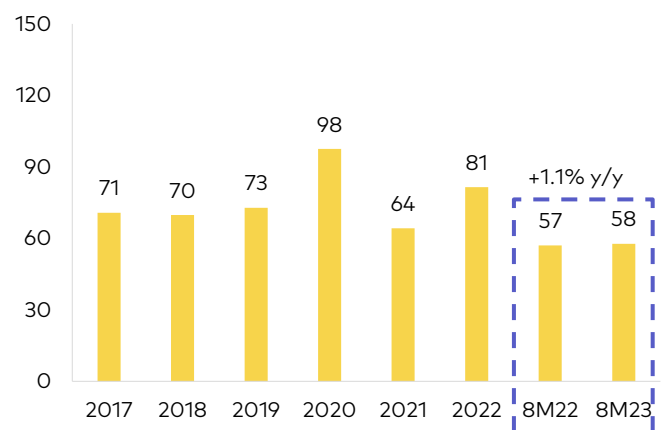
In September 2023, gold was down 4.7% m/m to US\$ 1,848.6 per troy ounce, lowest since Mar-23. The main pull to the gold price is a strong dollar. As the trends in the currency markets last longer, investors bet on interest rates to remain higher for the upcoming quarters, thus preferring U.S. Treasury yields to the non-yielding gold. After rising above US\$ 2,000 per ounce earlier this year, analysts now consider precious metal to fall below US\$ 1,800. Despite this, Saxo Bank expects the demand for gold to remain stable as a hedge against a soft-landing failure that looks increasingly possible.

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



Source: Bloomberg

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



Source: Geostat



Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

Analyst

Dachi Mujirishvili | dmujirishvili@gt.ge

Head of Macroeconomic Analysis and Forecasting

Lasha Kavtaradze | lashakavtaradze@gt.ge

Analyst

Mariam Okropiridze | maokropiridze@gt.ge

Head of Analytics

Giorgi Iremashvili | giremashvili@gt.ge

Analyst

Otar Tsukhishvili | otsukhishvili@gt.ge

Head of Sector Research

Kakhaber Samkurashvili | ksamkurashvili@gt.ge

Head of Sector

Mariam Chakhvashvili | mchakhvashvili@gt.ge

Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge

Head of Sector

Tatia Mamrikishvili | tmamrikishvili@gt.ge

Senior Analyst

Giorgi Tskitishvili | g.tskitishvili@gt.ge

Senior Analyst

Zurab Tavklishvili | ztavklishvili@gt.ge

Senior Analyst

Sergi Kurashvili | s.kurashvili@gt.ge