

An aerial photograph showing a large cargo ship with a green deck and yellow superstructure moving through deep blue water, leaving a white wake. In the foreground, a large white four-engine jet airplane is flying, viewed from a high angle. The background is a vast expanse of blue water.

Commodities Outlook

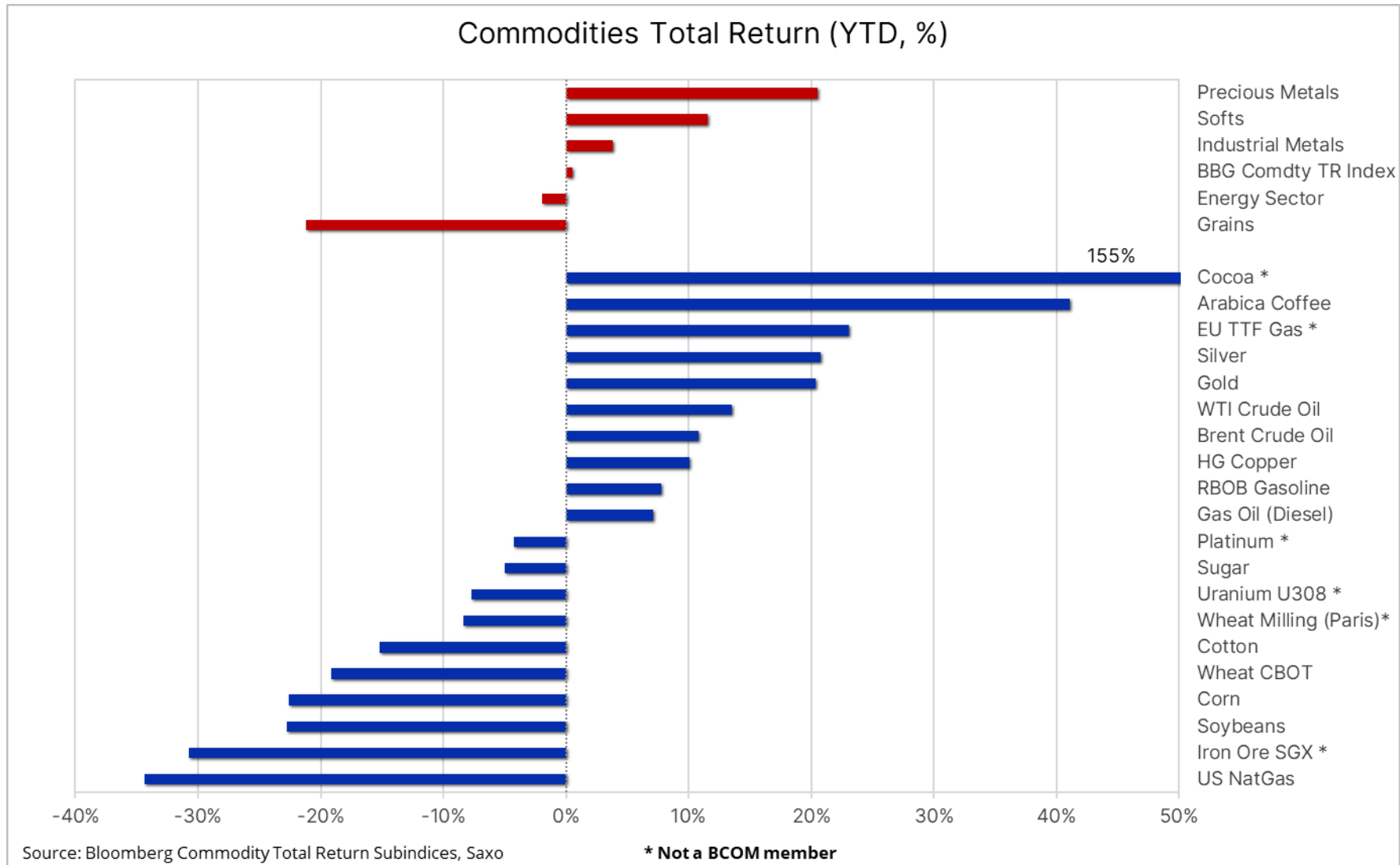
Year of the metals

August 2024

Disclaimer

The slides here that accompany the live equity presentation will occasionally mention financial instruments that are not tradable for all retail clients, depending on the relevant appropriateness test. Financial instruments mentioned can range from low to high risk, and our thoughts on the market should not be viewed as investment recommendations, but inspiration and information to gain a better understanding of current market dynamics.

Strong year for precious metals



What drives a commodity bull cycle ?

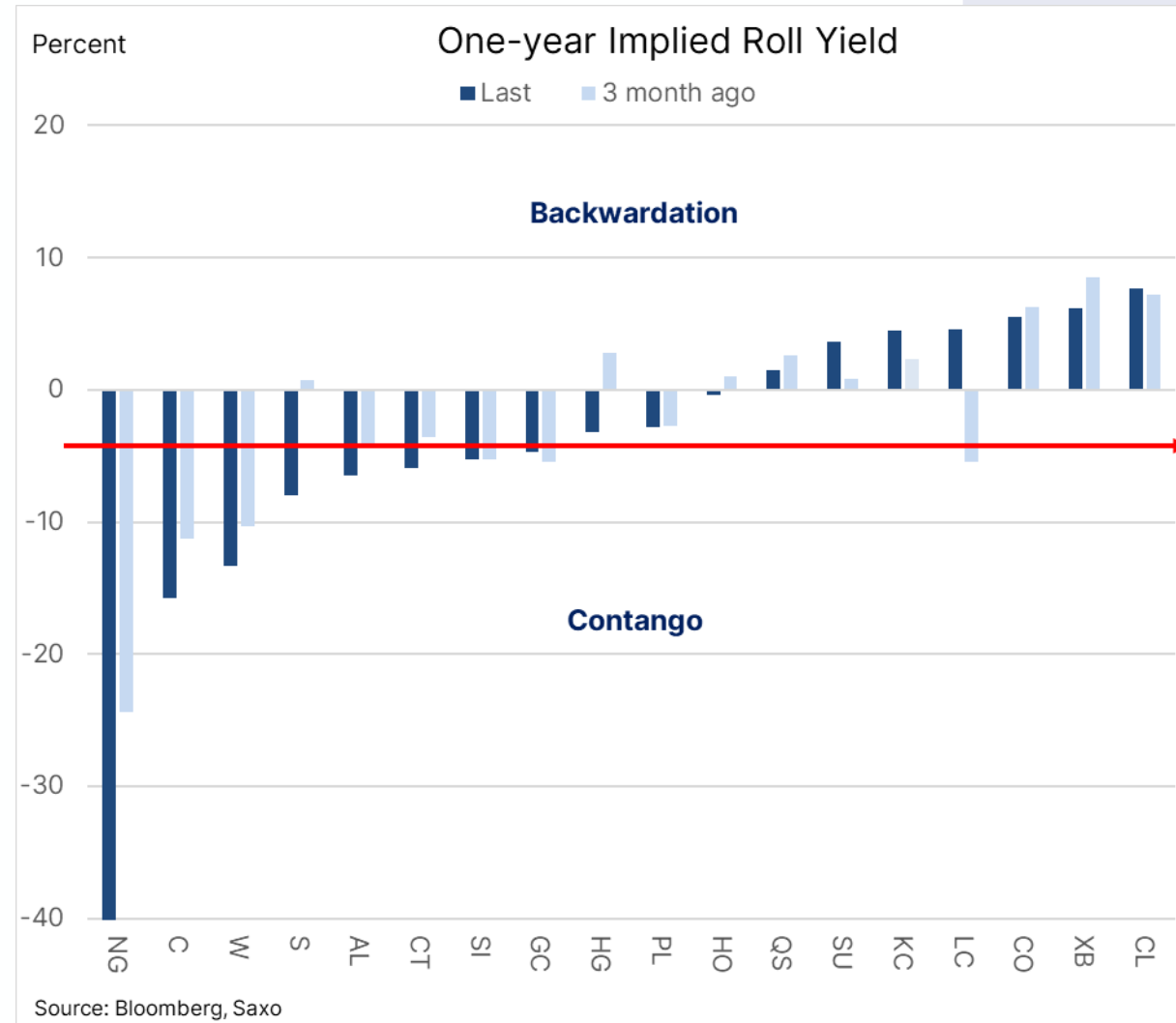
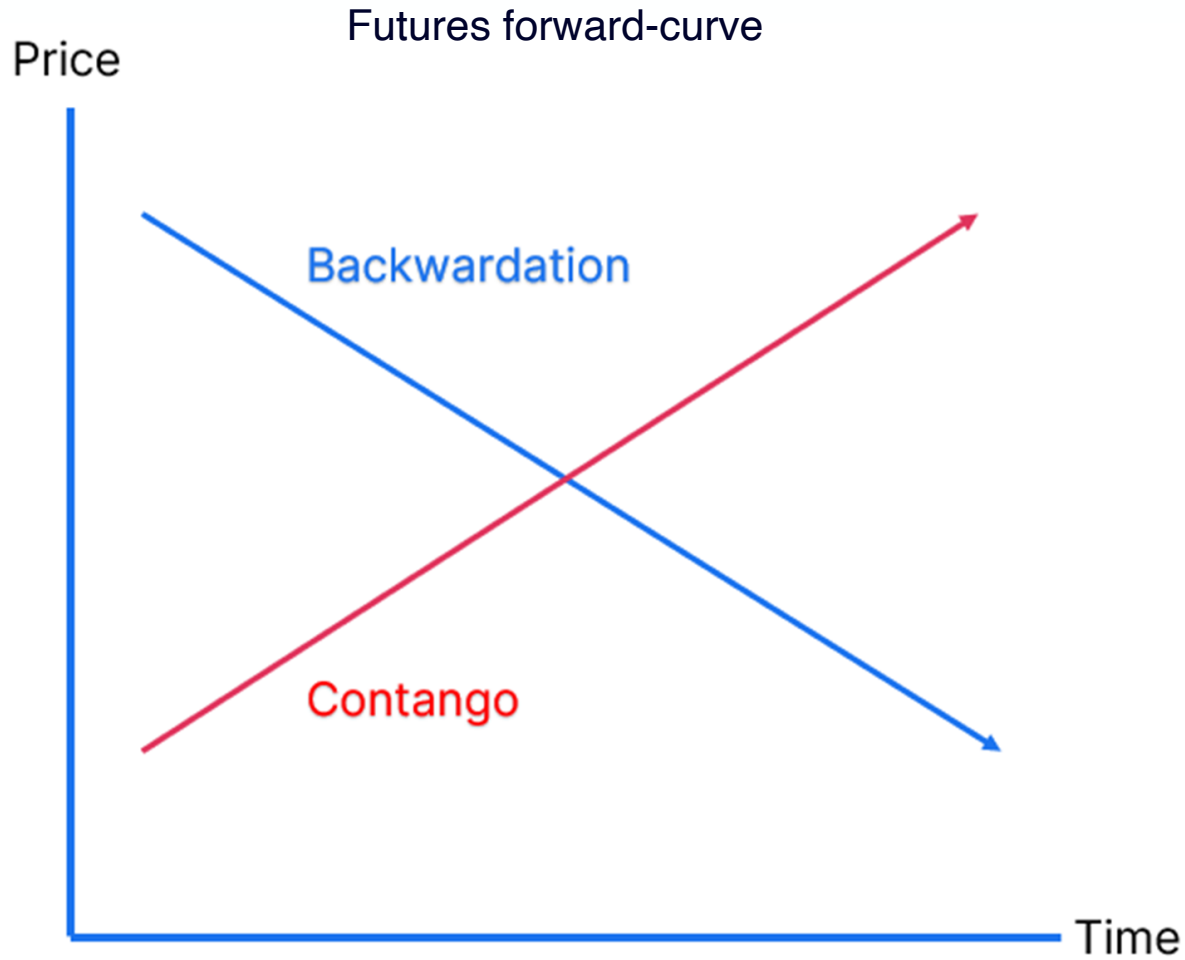
- **Fragmentation** with focus on **reshoring** and **friend-shoring** pushing up demand for, and prices of key commodities
- **Green transformation** supporting demand for industrial metals towards “new” energy
- **Structural long-term inflation** driving demand for tangible assets
- **Tight supply of some commodities** due to rising funding costs and lower investment appetite driven by ESG, investor and lending restrictions
- **Climate change** creating a more volatile production environment => Food nationalism & protectionism
- **Geopolitics:** sanctions, conflicts, export restrictions, trade wars

Duration determined by:

- Prolonged period of mismatch between rising demand and inelastic supply
- Supply/demand imbalances take years to correct
- High start-up capex for new projects and falling ore grades



Contango (ample supply) versus backwardation (tight supply)



What drives gold's bull market?

- **Geopolitical risks** – Russia/Ukraine, Middle East
- **Strong retail demand in China** – alternative to falling property sector and currency hedge
- **Record demand from central banks** – geopolitical uncertainty and de-dollarization. Offering security that other assets may not provide
- **US presidential election** – Both candidates willing to spend money they haven't got
- **Rising debt-to-GDP ratios** – Raising concerns about the quality of debt (default)
- **Incoming US rate cuts** - Lowering funding (opportunity) cost of holding a non-yielding asset
- **ETF demand** - Increased demand from interest rate sensitive investors who have been net sellers since 2022



Source: Saxo

Where gold goes, silver goes but faster (with a little help from copper)



Source: Saxo

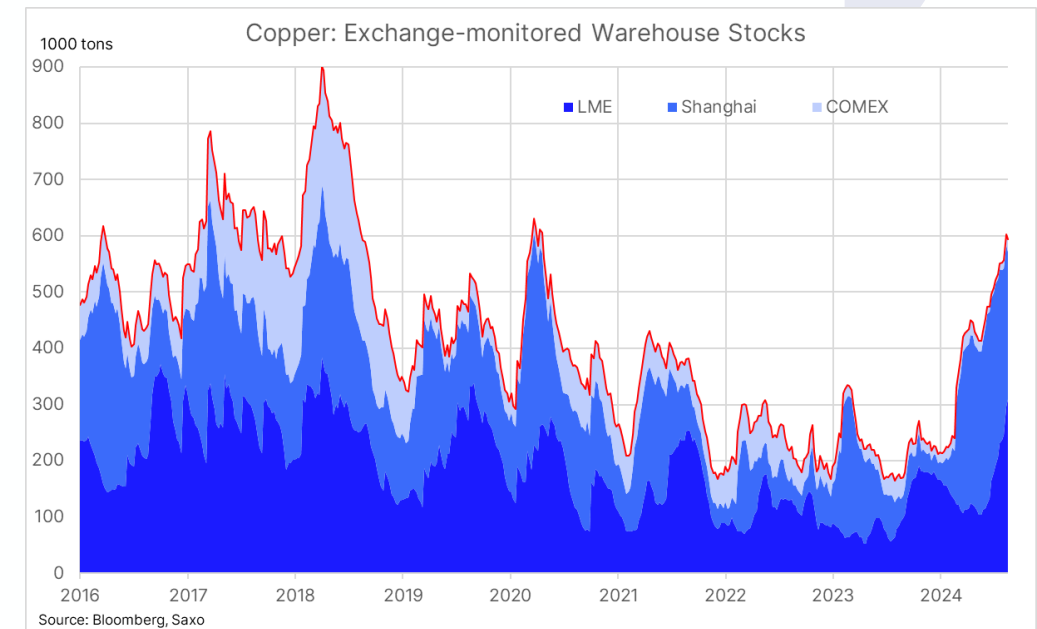
Copper: Mismatch between short- and long-term demand outlook



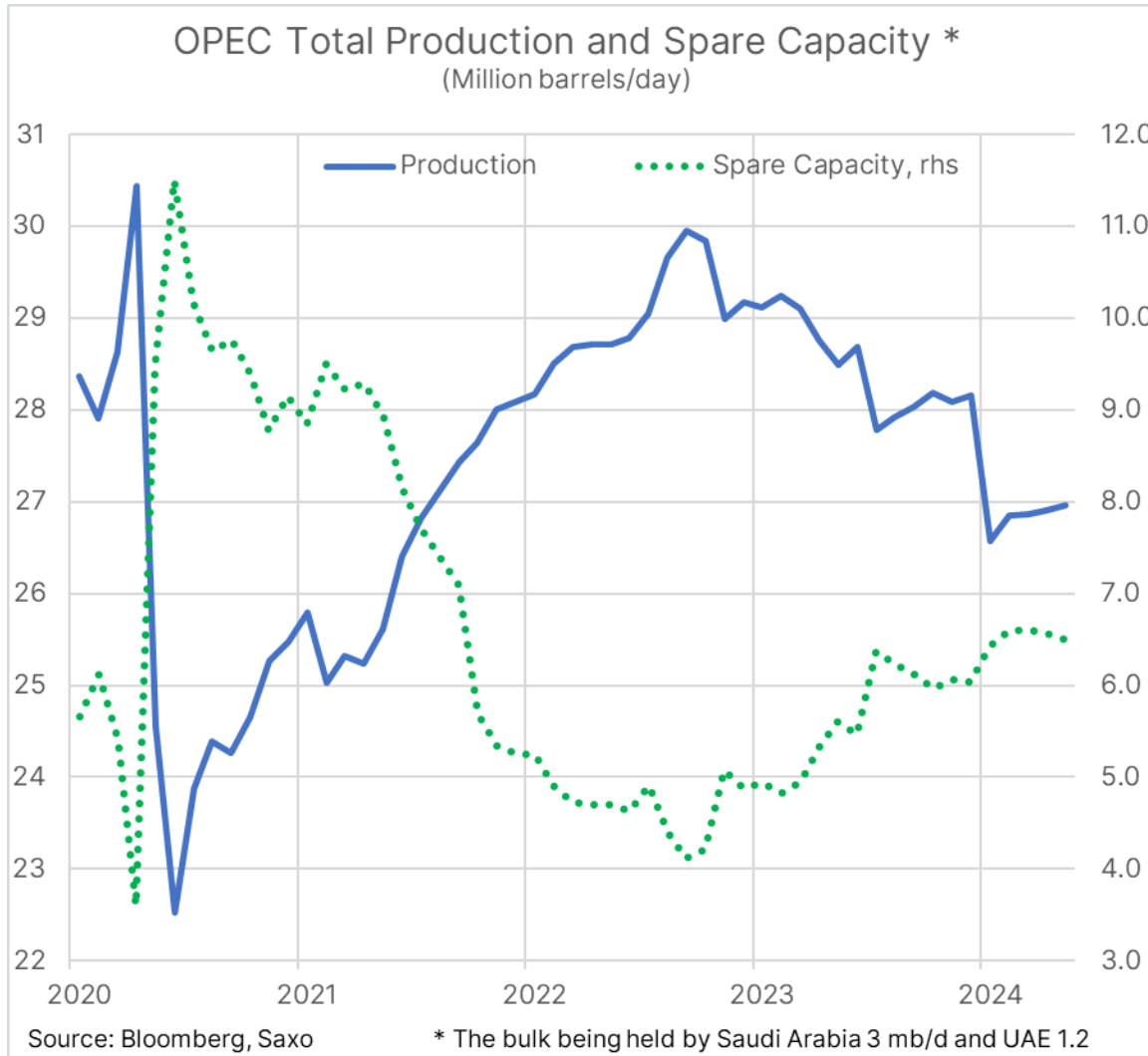
Source: Saxo

Miners are facing rising cash costs driven among others by:

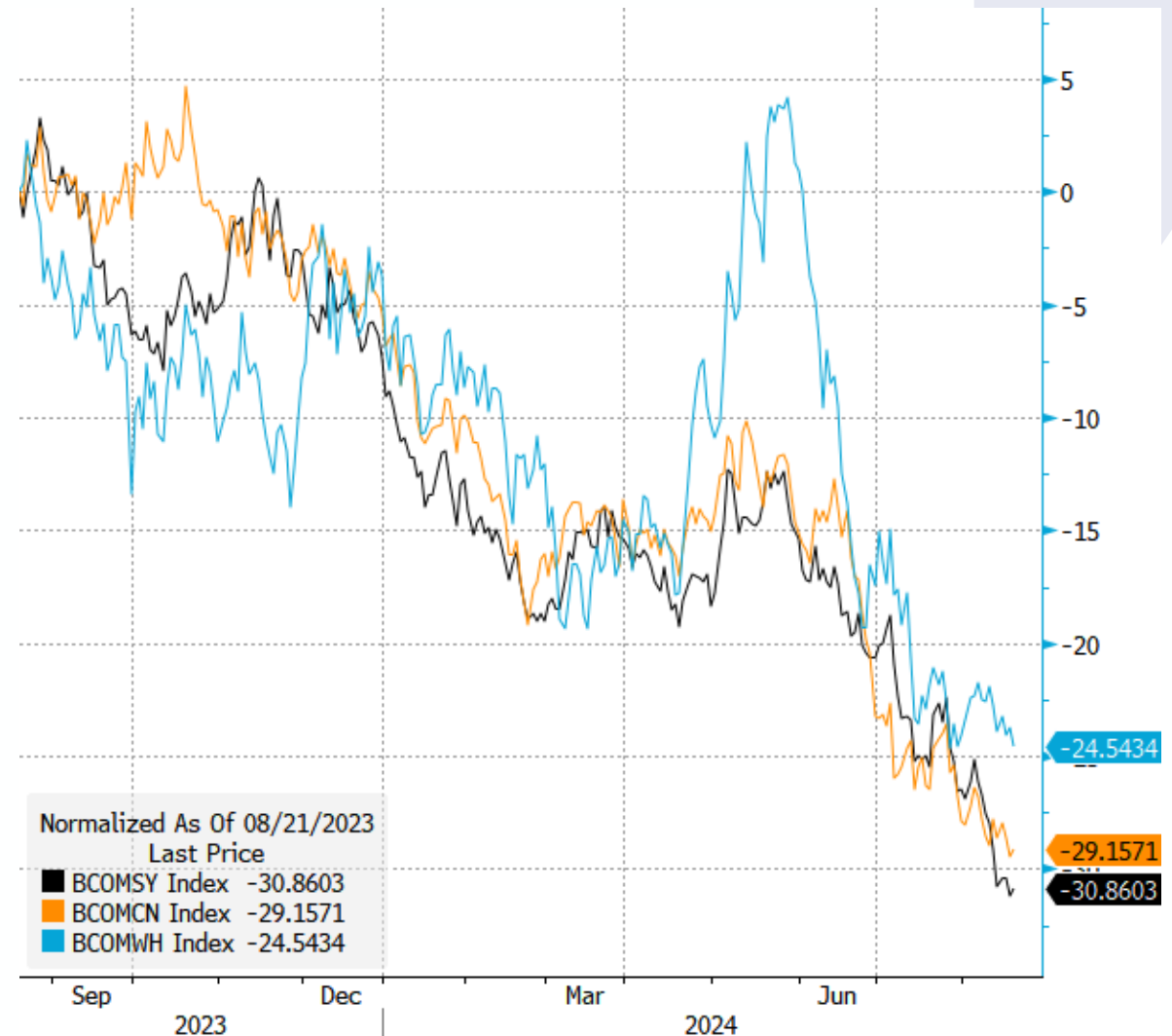
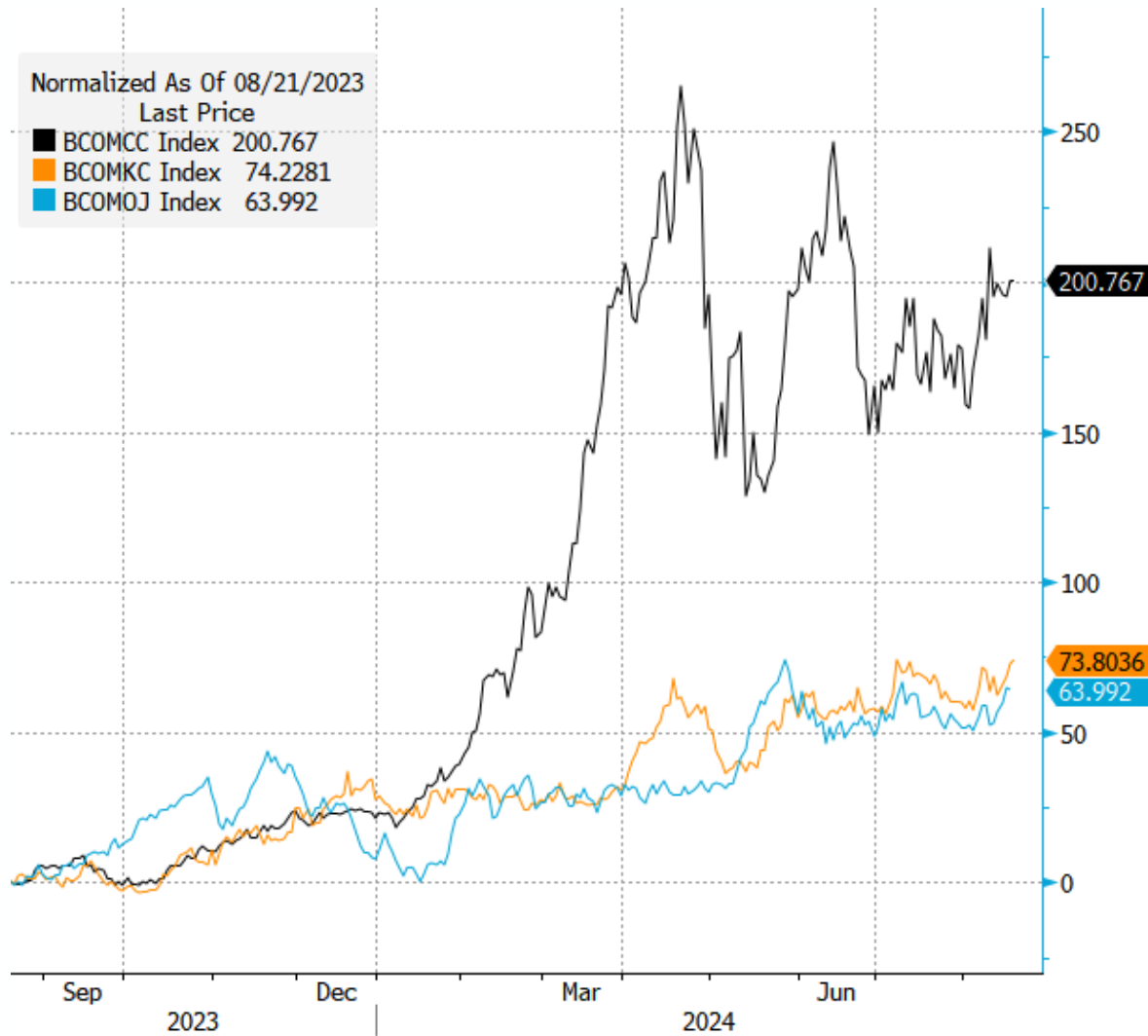
- Higher input prices (diesel, electric and labor)
- Lower ore grades
- Rising regulatory costs and government intervention
- Climate change: Disruptions from flooding to lack of water (A returning El Niño could trigger heavy rains in Chile, restricting access to mines)
- First discovery to first metal has risen to 12 years (from 8)



Crude oil: OPEC+ cuts => rising spare capacity & China woes



Agriculture: Softs vs Grains



Source: Bloomberg

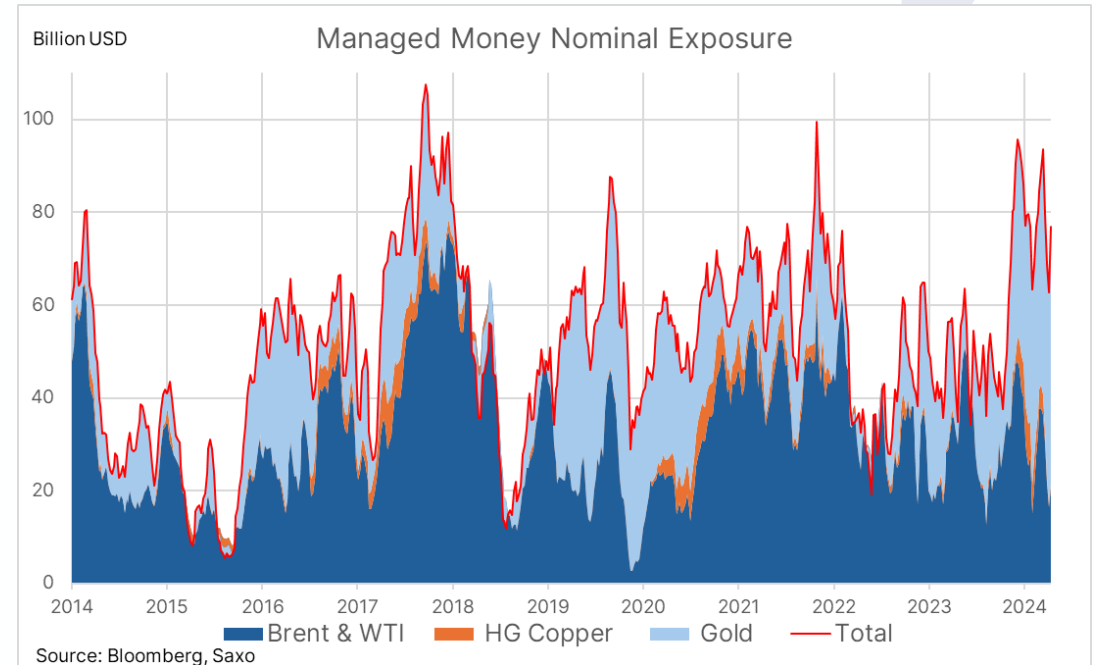
What is the Commitment of Traders Report ?

Week to Tuesday: 13-Aug-24	Managed Money Positions							
	Long	Change	Short	Change	Net	Change	Change Pct	Trend
WTI Crude (CME)	225,074	3,441	24,334	-9,039	200,740	12,480	7%	
Brent Crude (ICE)	188,858	13,507	119,074	-30,839	69,784	44,346	174%	
Gas Oil (ICE)	61,662	-207	61,994	-2,733	-332	2,526	-88%	
RBOB Gasoline	50,604	1,259	36,752	-4,969	13,852	6,228	82%	
NY Harbor ULSD	27,298	1,234	47,778	-2,619	-20,480	3,853	-16%	
NatGas (4 contr.)	352,361	-7,876	314,061	-10,020	38,300	2,144	6%	
Gold	232,909	29,183	13,237	-5,015	219,672	34,198	18%	
Silver	36,693	-247	12,436	400	24,257	-647	-3%	
Platinum	29,473	1,214	31,697	1,166	-2,224	48	-2%	
Palladium	5,160	-265	20,127	-1,508	-14,967	1,243	-8%	
HG Copper	55,698	-937	48,057	-1,384	7,641	447	6%	
Soybeans	52,320	3,654	226,767	9,085	-174,447	-5,431	3%	
Soybean Meal	84,324	-18,984	83,545	22,246	779	-41,230	-98%	
Soybean Oil	54,647	4,137	134,920	5,141	-80,273	-1,004	1%	
Corn	184,369	13,378	433,376	19,840	-249,007	-6,462	3%	
Wheat (CBOT)	74,864	1,422	148,152	3,378	-73,288	-1,956	3%	
Wheat (KCBT)	41,995	1,913	74,819	-1,301	-32,824	3,214	-9%	
Sugar	111,380	2,162	120,067	-8,566	-8,687	10,728	-55%	
Cocoa NYBOT	37,827	1,336	12,218	-308	25,609	1,644	7%	
Cocoa LIFFE	22,972	151	525	-133	22,447	284	1%	
Coffee Arabica	60,731	1,294	8,747	381	51,984	913	2%	
Coffee Robusta	34,879	2,714	5,257	-812	29,622	3,526	14%	
Cotton	33,194	1,261	82,648	-1,309	-49,454	2,570	-5%	
Live Cattle	65,805	-9,176	20,913	-266	44,892	-8,910	-17%	
Feeder Cattle	8,601	-186	11,240	1,769	-2,639	-1,955	286%	
Lean Hogs	54,679	-4,763	56,948	7,607	-2,269	-12,370	-122%	
Total	2,188,377	40,620	2,149,689	-9,808	38,688	50,427		

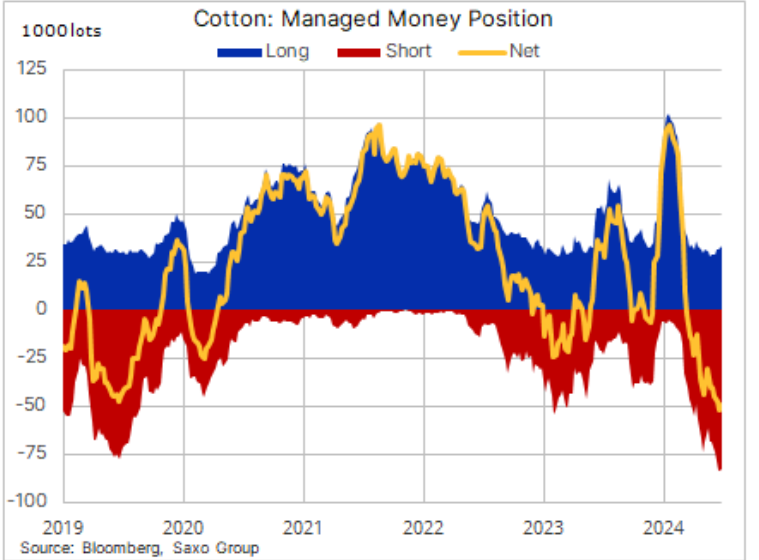
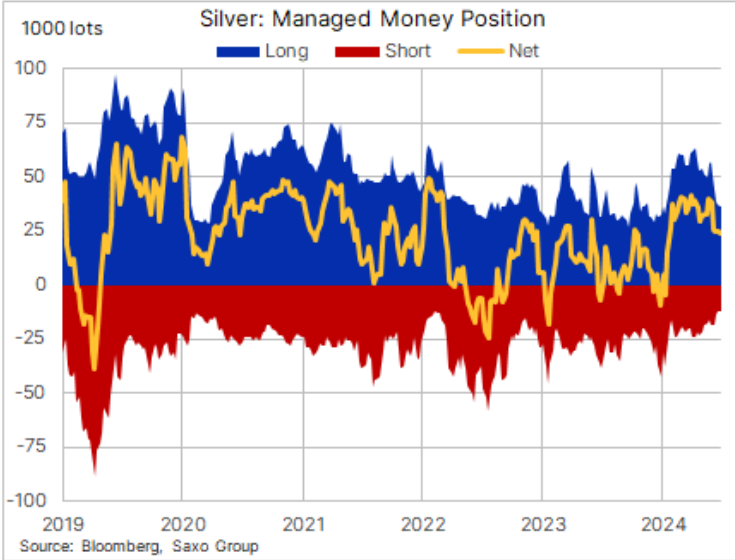
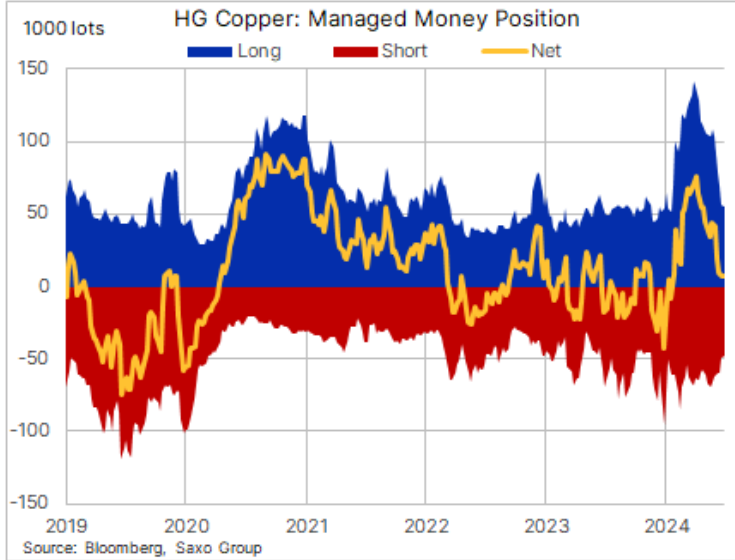
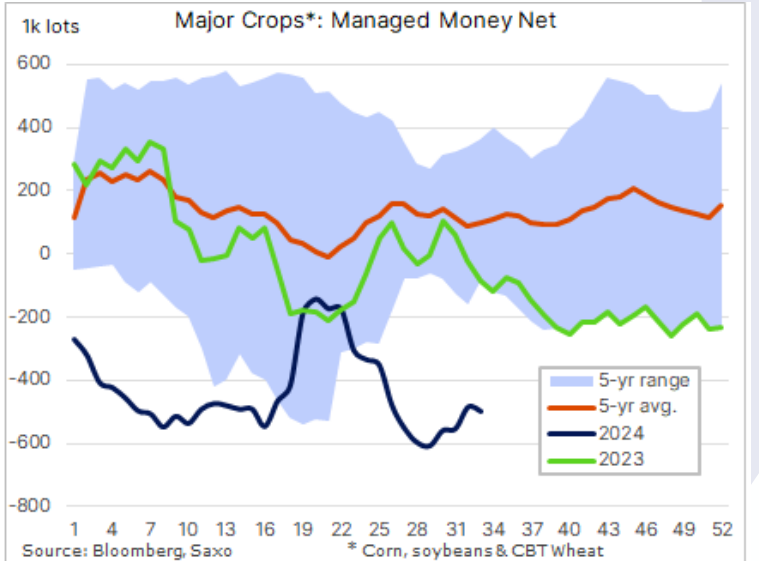
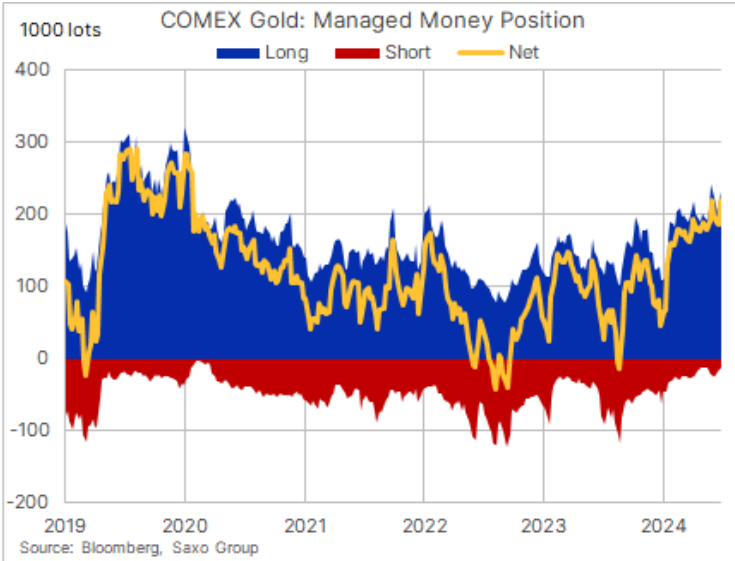
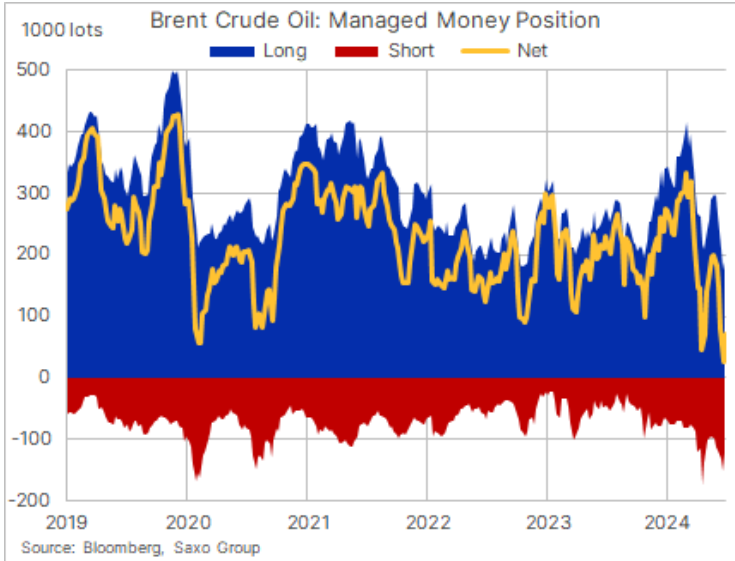
Source: CFTC, ICE, Bloomberg and Saxo

Speculator behavior:

Instead of causing them, hedge funds & CTA's and other large speculators tend to **anticipate, accelerate and amplify** price changes that has been set in motion by fundamentals. Being **followers of momentum**, this strategy often sees this group of traders buy into strength and sell into weakness, meaning that they are often found holding the biggest long near the peak of a cycle or the biggest short position ahead of a through in the market



COT: Recent developments



Where to find us?



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Head of Commodity Strategy @SaxoBank and a regular contributor to both broadcast and print media. Broad focus, but mostly #gold #silver #copper #oil & #grains

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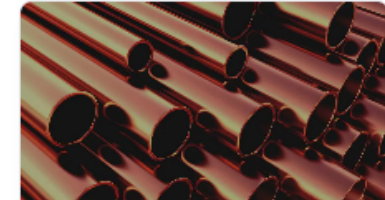
COMMODITIES | 19-Aug-2024 11:00
Resilient gold bulls drive price to fresh record above USD 2500



COMMODITIES | 19-Aug-2024 09:45
COT: Buyers return to crude as gold stays strong; Yen buying hits historic levels



COMMODITIES | 16-Aug-2024 14:00
Commodities weekly: Gold remains strong as China's weakness drags on other markets



COMMODITIES | 12-Aug-2024 10:53 | 3 Minutes to read
Technical Update - Bullish Gold Eyeing 2,500. Reversal Indications in Silver and Copper, Rebounds Likely

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