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Commodities

Monthly Outlook

12 November 2024

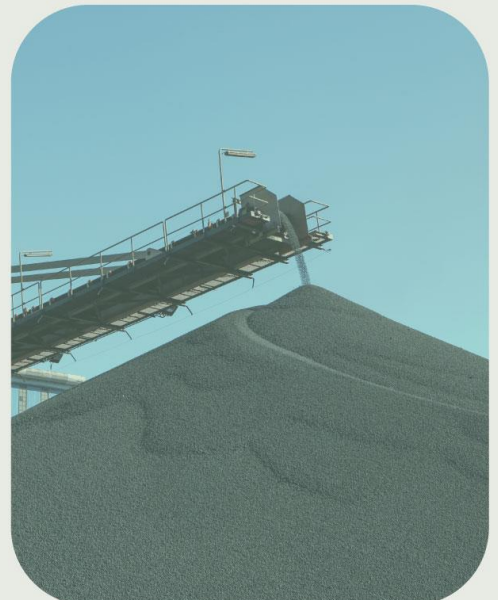


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Commodity price dynamics

Commodity	Price	Change, m/m*	Change, YTD	Price change from Jan-2021
Ammonium Nitrate US\$/ton	242.5	-1.0%	+34.7%	
Brent Oil US\$/bbl	73.2	+1.9%	-5.0%	
Copper US\$/ton	9,373.6	-3.3%	+10.7%	
Ferrosilicon (China) US\$/ton	1,285.0	0.0%	-3.7%	
Ferrosilicon (Europe) US\$/ton	1,357.8	-4.1%	-1.8%	
Gold US\$/troy oz	2,744.0	+4.2%	+33.0%	
Natural gas US\$/mwh	41.0	-6.9%	+31.4%	
Wheat US\$/ton	239.0	+13.8%	-8.9%	

Source: Bloomberg

Note: prices as of 31 October, 2024

*m/m prices reflect end of month figures



Energy

Brent oil

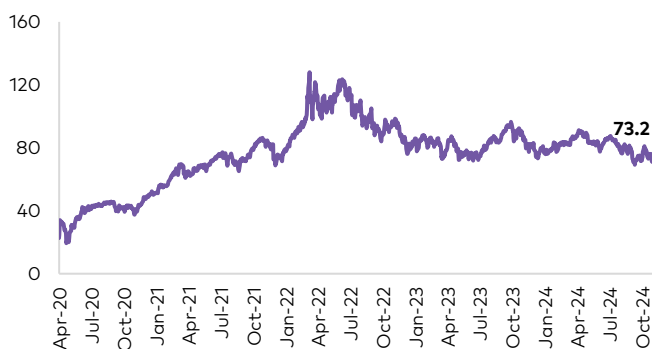
In October 2024, Brent oil price was up 1.9% m/m. Over the month traders assessed potential effects of Middle East conflict, OPEC+ supply cuts, and US elections on the oil price.

The month started off with Iran sending 180 ballistic missiles towards Israel in a retaliatory strike for killing Hezbollah's leader. Investors feared Israel's response may be aimed at oil infrastructure of Iran, adding war premium to oil prices. However, the following strike remained limited to military objects only, partly alleviating worries on the market. Staying off the oil infrastructure may have been driven by Biden administration pressuring Israel in an attempt to keep the Brent price low before the elections. Therefore, the risks are not fully dissipated – conflict is still active in the region and can escalate even further. Especially after Iran's supreme leader vowed a "crushing response" to Israel. With the US elections over and significant military targets already attacked, Iran's oil infrastructure is now more vulnerable than before, making it a potentially attractive target for Israel.

Any major disruption in Iranian oil flows will quickly translate into oil price gains. However, there is a quite large supply buffer in OPEC's other producers to more-or-less balance the supply crunch. OPEC+ has voluntarily cut production of c. 2.2mn barrels of oil per day for over the past two years. According to the latest reports, group was planning to gradually bring back the supply on the market starting from December 2024. However, on November meeting, they decided to push back the plan by at least one month until January 2025, as the price fundamentals – mostly global demand driven by China, does not look promising.

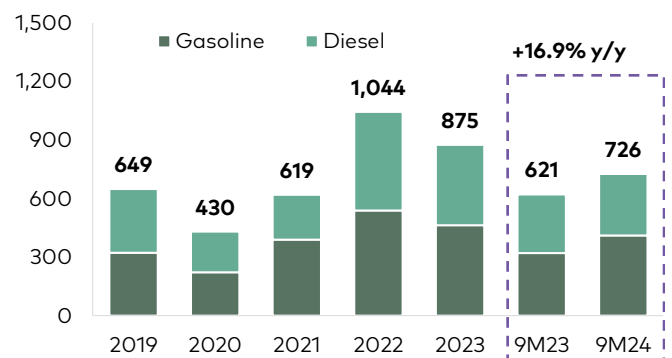
Moreover, results of the US elections may result in rising North American supplies in the long term. Trump presidency is widely viewed as a positive sign for energy sector amid his promised policies of major tax cuts and deregulation. Trump repeatedly pledged to boost US oil sector by increasing production and slowing move towards renewable energy. As he puts it – "we will drill, baby, drill."

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 9.0% y/y in 9M24 and reached 902 tons, equivalent to US\$ 726mn. Average import price grew by 7.3% over the same period.

Source: Geostat



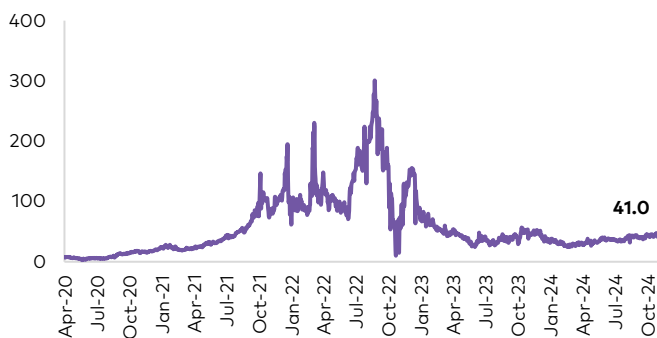
Energy

Natural gas

In October 2024, natural gas price was down 6.9% m/m. Gas prices in Europe fell sharply after a Bloomberg report suggested that European buyers were close to a deal with Azerbaijan to maintain gas flows through Ukraine. However, other sources later denied this information. The Russia-Ukraine gas transit deal expires at the end of 2024, and its future is uncertain. Bloomberg claimed that Hungary and Slovakia were close to signing contracts with Azerbaijan for 12-14 billion cubic meters of gas annually. The Slovak state-owned gas company, SPP, later denied the information, saying the deal was far from final and the European Commission has emphasized Europe's commitment to phasing out Russian gas, even if it means losing the Ukrainian transit route.

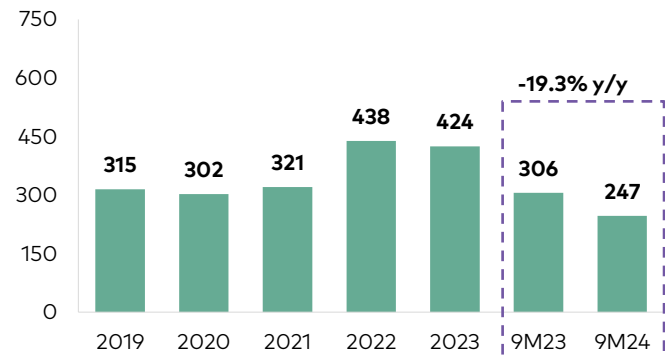
On the demand side, Europe is set to experience a mild weather over November. Temperature across continent will remain warmer than 30-year norm during the month, affecting natural gas demand for heating. Meanwhile, European storages are c. 95% full, comfortably above 90% target. In general, full storages can supply enough gas to cover almost third of the continent's winter demand.

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 19.3% y/y in 9M24 and was mostly driven by the lower import price as the volume decreased only by 5.4% y/y.

Source: Geostat



Precious metals

Gold

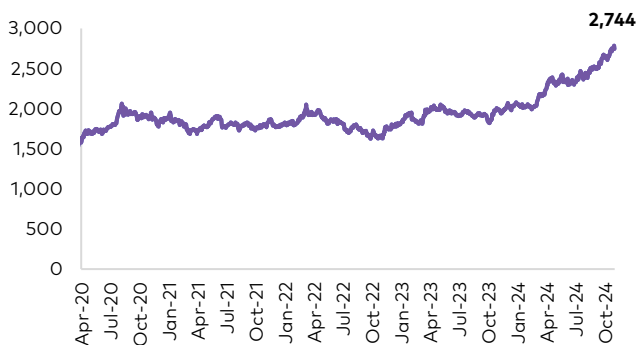
In October 2024, gold price was up 4.2% m/m. Rally of the precious metal continued over the month, reaching new all-time high of almost US\$2,790 per troy ounce. Notably, this time around, retail and institutional investors fueled the gains instead of the central banks. Western demand, rate cuts, and the US elections were hot topics of the industry in October.

According to the quarterly report of the World Gold Council, gold demand set record in 3Q24 in terms of quantity (1,313 tonnes) and value (over US\$ 100bn). Growth was driven by the "FOMO" factor – fear of missing out. As the gold repeatedly broke records, more and more investors purchased the metal in order not to miss another wave of gains. Meanwhile, higher prices deterred central bank buying, but the demand of new customers has outweighed the negative impact and kept the rally going.

In addition, the rate-cutting cycle continues in key economies. Federal Reserve and the Bank of England both cut the interest rates by another 25 bps each in November. According to current analysis, Fed may cut another 25 bps in December and then further slow its pace over 2025, cutting rates every other meeting. Lower borrowing costs are good for gold as it gains edge against lower yielding treasuries.

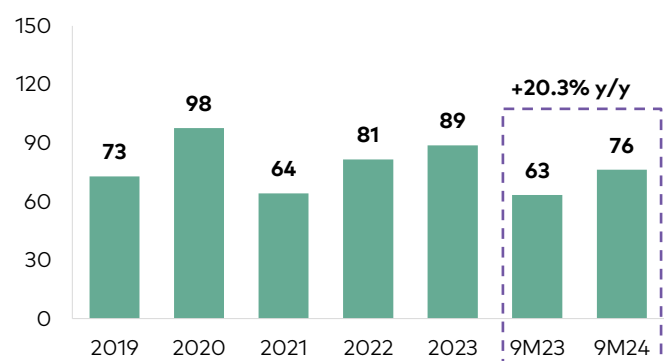
However, yields on US treasuries may remain higher than previously expected for some time. Trump victory in US presidential elections is widely seen as positive for gold, but may anyways generate short-term volatility, especially if Republicans gain control of both Senate and House. Trump's pledged policies on tax cuts, migration, and import tariffs should keep the inflationary pressure up, while increasing budget deficit. Expectations have already translated into rising yields on US treasuries – competitor of gold. However, in the medium-to-long term, geopolitical shifts, potential tariff wars, and existing demand should help the precious metal continue accumulating gains.

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



Source: Bloomberg

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



The gold export volume was down 3.6% y/y in 9M24. Notably, following the global price surge, average export price was up by 24.7% y/y in 9M24, increasing export value by 20.3% y/y.

Source: Geostat



Agriculture

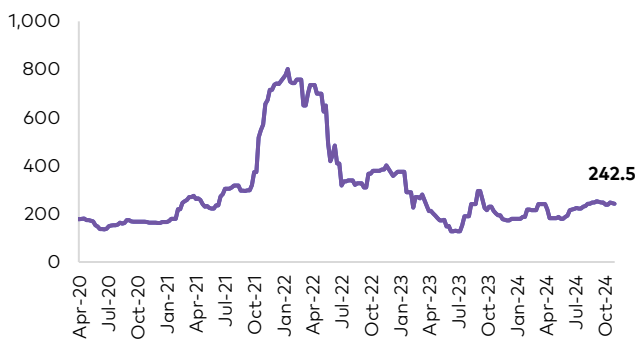
Ammonium nitrate

In October 2024, ammonium nitrate price was down 1.0% m/m. Global fertilizer demand remains subdued, with no significant growth compared to the previous year. As discussed in our previous reports, it is mainly driven by low agricultural commodity prices and high fertilizer costs that pressures their affordability. According to the latest report by World Bank, fertilizer prices are set to end 2024 with a large drop, followed by a marginal decline in 2025, and slight gain in 2026.

Wheat

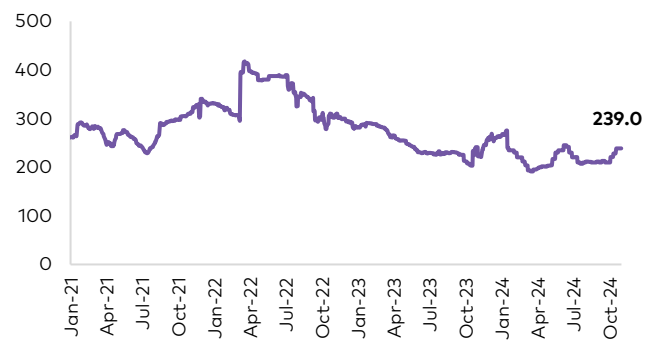
In October 2024, wheat price was up 13.8% m/m. France has already recorded its worst wheat harvest in decades and the pain is likely to be felt in the next season too. October marks the transition between one crop cycle to the next, but the heavy rainfall across Europe forces farmers to delay winter planting. On the contrary, Russia's planting cycle is delayed due to extra dry weather. Consequently, the country is projected to harvest c. 80mn tons of wheat in 2025, making it the 3rd consecutive annual decline, putting pressure on already tight global supplies.

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



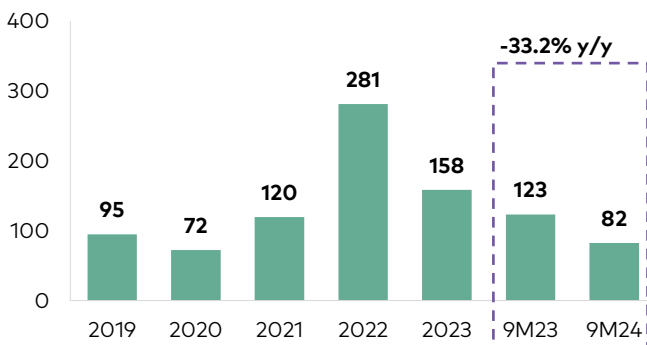
Source: Bloomberg

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



Source: Bloomberg

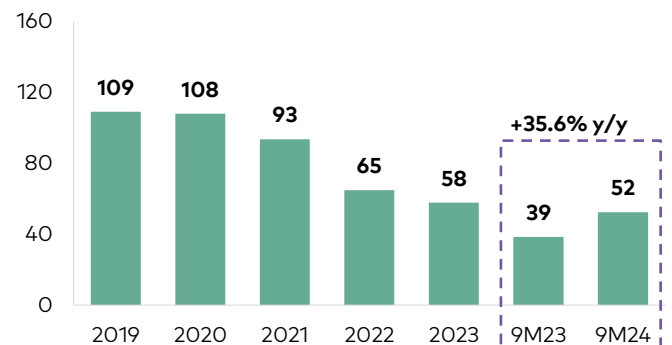
Figure 9: Nitrogenous fertilizers export from Georgia, US\$ mn



The nitrogen fertilizers export value decreased by 33.2% y/y in 9M24. Notably, the decline was driven by significantly reduced average price (-28.9% y/y), as the export volume decreased by only 6.0% y/y.

Source: Geostat

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



Wheat import value increased by 35.6% y/y in 9M24, while the volume increased by a significant 55.9% y/y, driven by the lower average import price (-13.0% y/y).

Source: Geostat



Metals & ores

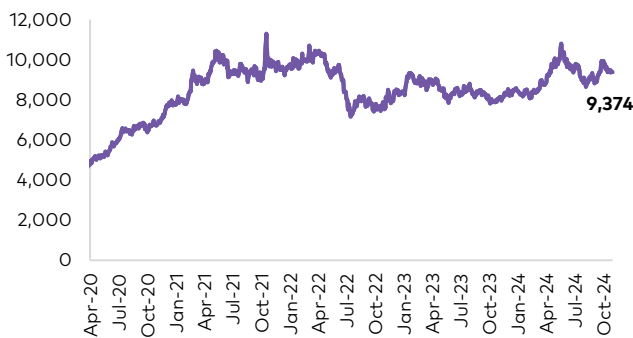
Copper ores and concentrates

In October 2024, copper price was down 3.3% m/m. Weak global economic activity and strengthening US dollar still puts significant pressure on prices. Chinese imports rose above 500k tons in September, highest since May 2024. However, disappointing stimulus package from China was not enough to reignite investor confidence in the red metal. In addition, Trump's victory in the elections strengthened US dollar, adding further squeeze to the dollar-denominated metals' prices. According to the latest forecasts from the World Bank, copper is due to have only marginal gains over 2025.

Ferrosilicon

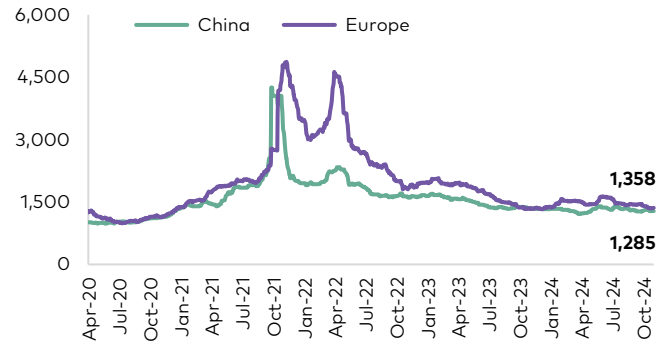
In October 2024, European ferrosilicon price was down 4.1% m/m, while its Chinese counterpart stayed constant at US\$1,285 per ton. Base metals face significant challenges globally, especially during low-demand season. According to current forecasts, iron ore prices are likely to continue dropping by end-2024 and much of 2025. Global issues pushed yet another Georgian producer – Georgian Manganese to halt its ferro-alloy production for 6 months.

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



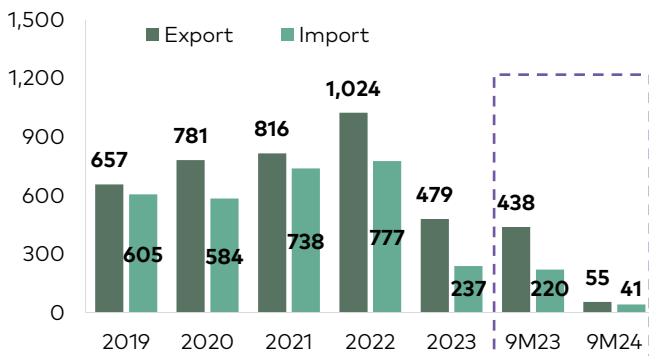
Source: Bloomberg

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



Source: Bloomberg

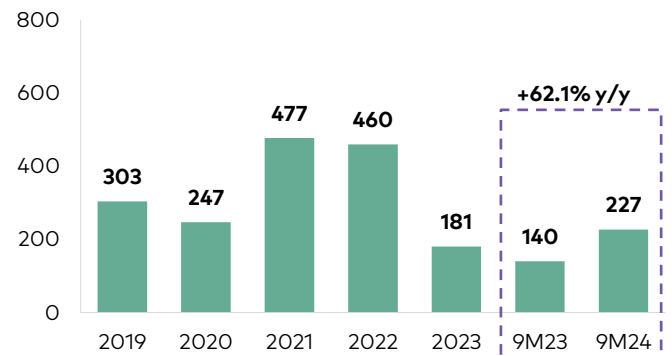
Figure 13: Copper (including ores) external trade of Georgia, US\$ mn



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 9M24.

Source: Geostat

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



The ferroalloy export value increased by 62.1% y/y in 9M24, while the export volume grew by 70.1% y/y and reached 197k tons. Export is expected to slow in coming months.

Source: Geostat



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