

# Commodity outlook 2024

## Year of the metals

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### Disclaimer

These slides will 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.

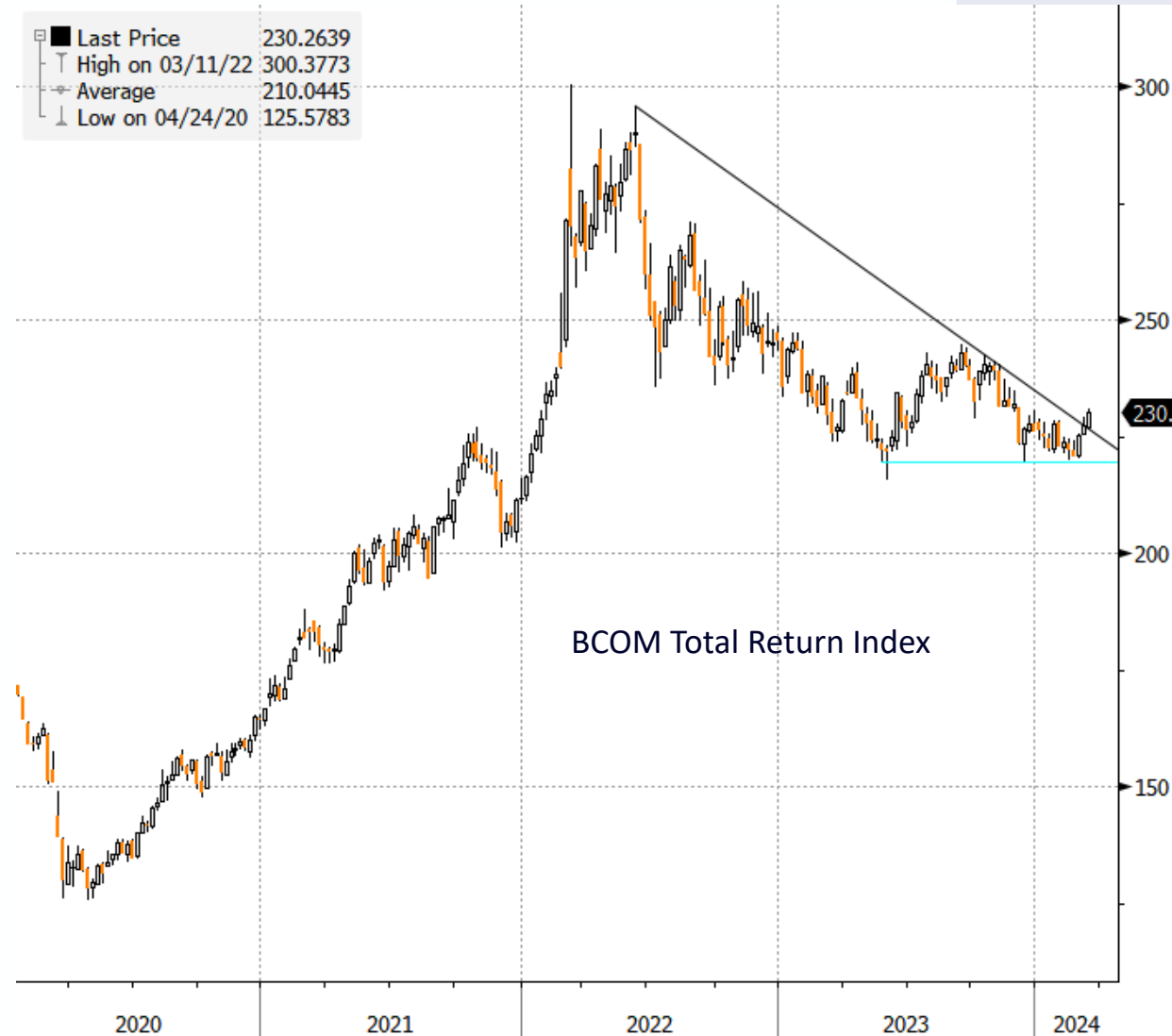
# Outlook: Short-term cyclical weakness vs long-term structural upside

## What drives a commodity bull cycle?

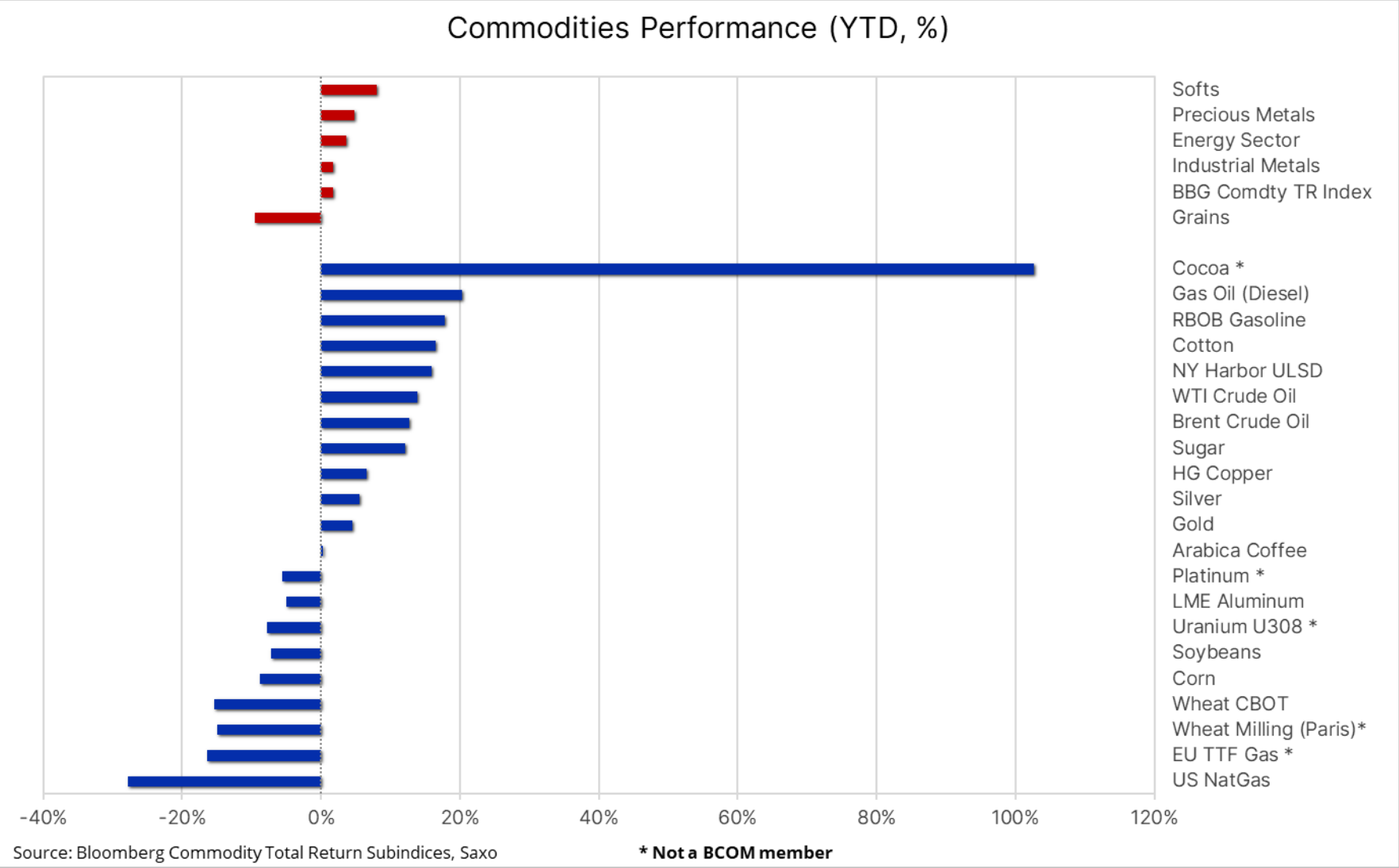
- **Fragmentation** with focus on **reshoring** and **friend-shoring** pushing up demand for, and prices of key commodities
- **Green transformation** supporting demand for industrial metals towards “new” energy
- **Structural long-term inflation** of +3% driving demand for tangible assets
- **Tight supply of key 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

## 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



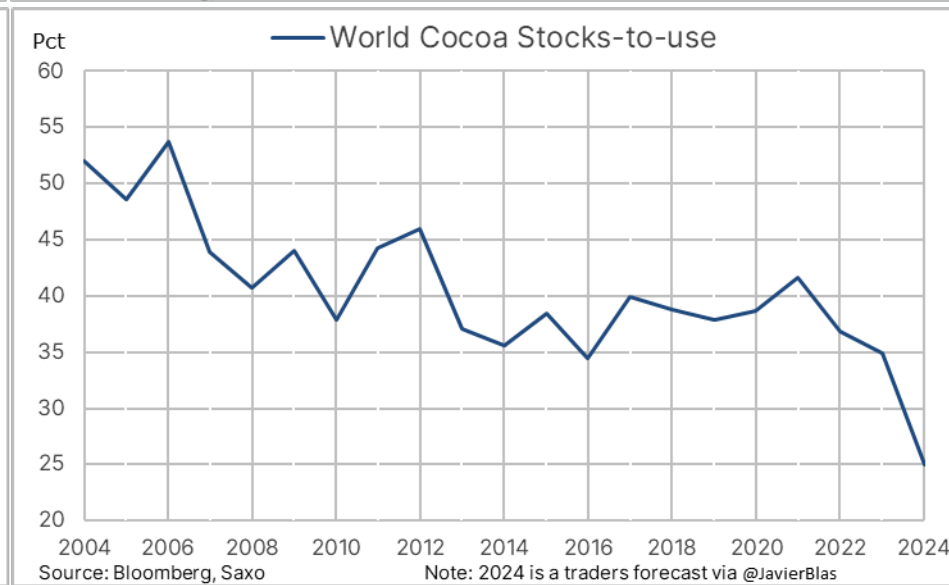
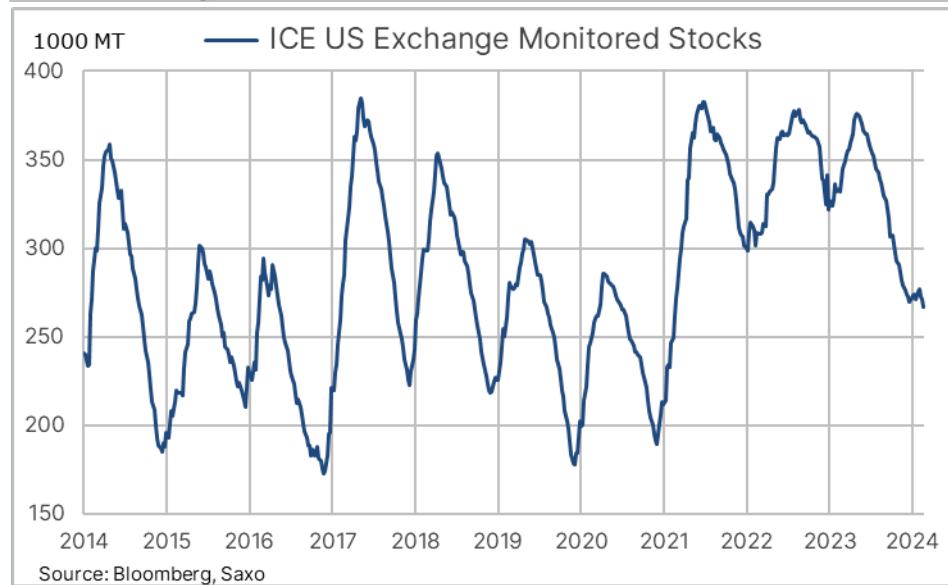
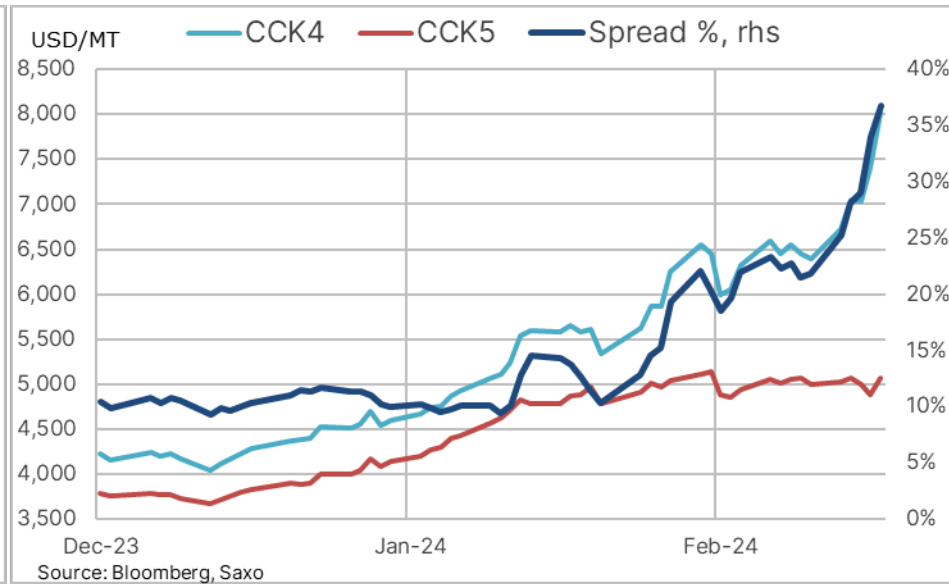
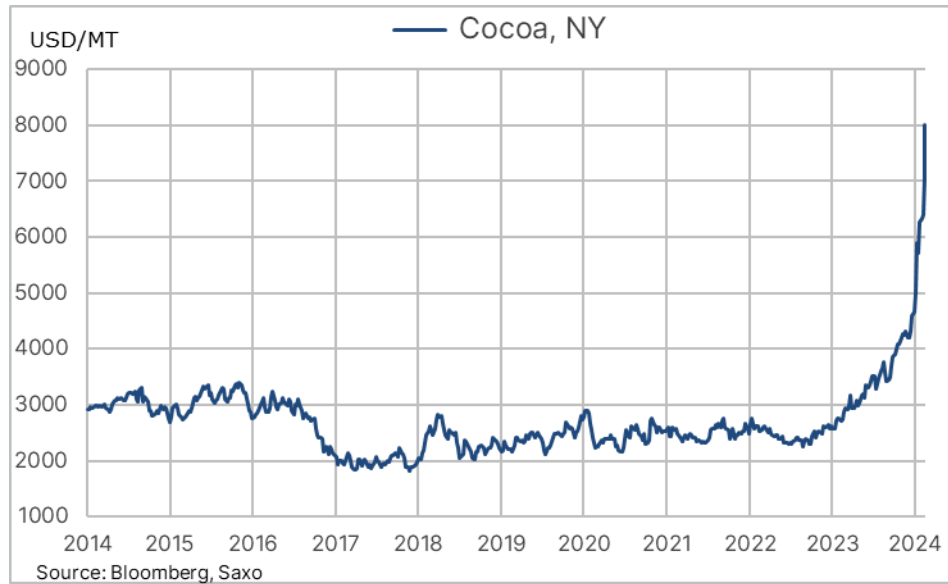
# Green shoots emerging following year of sideways action



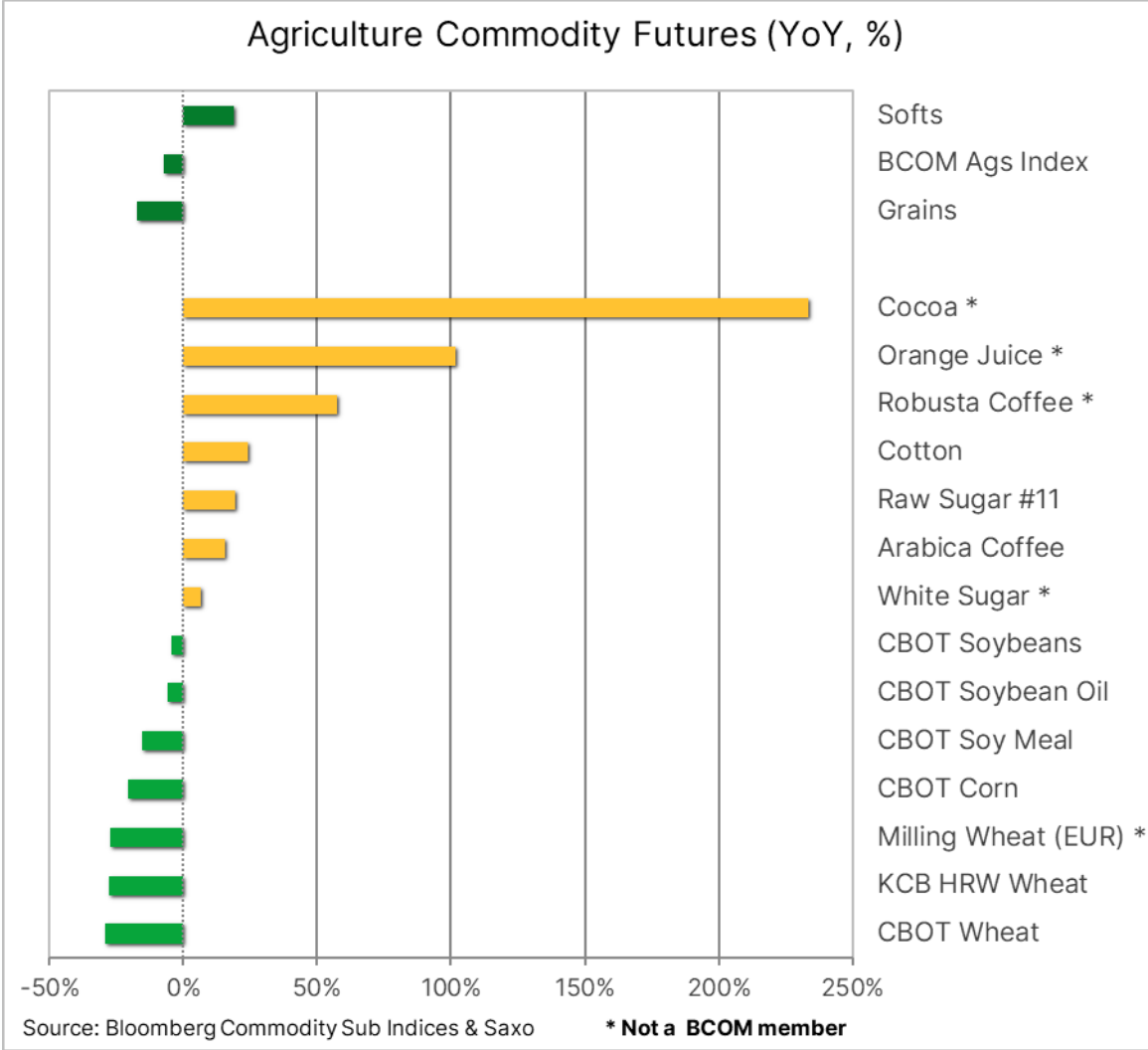
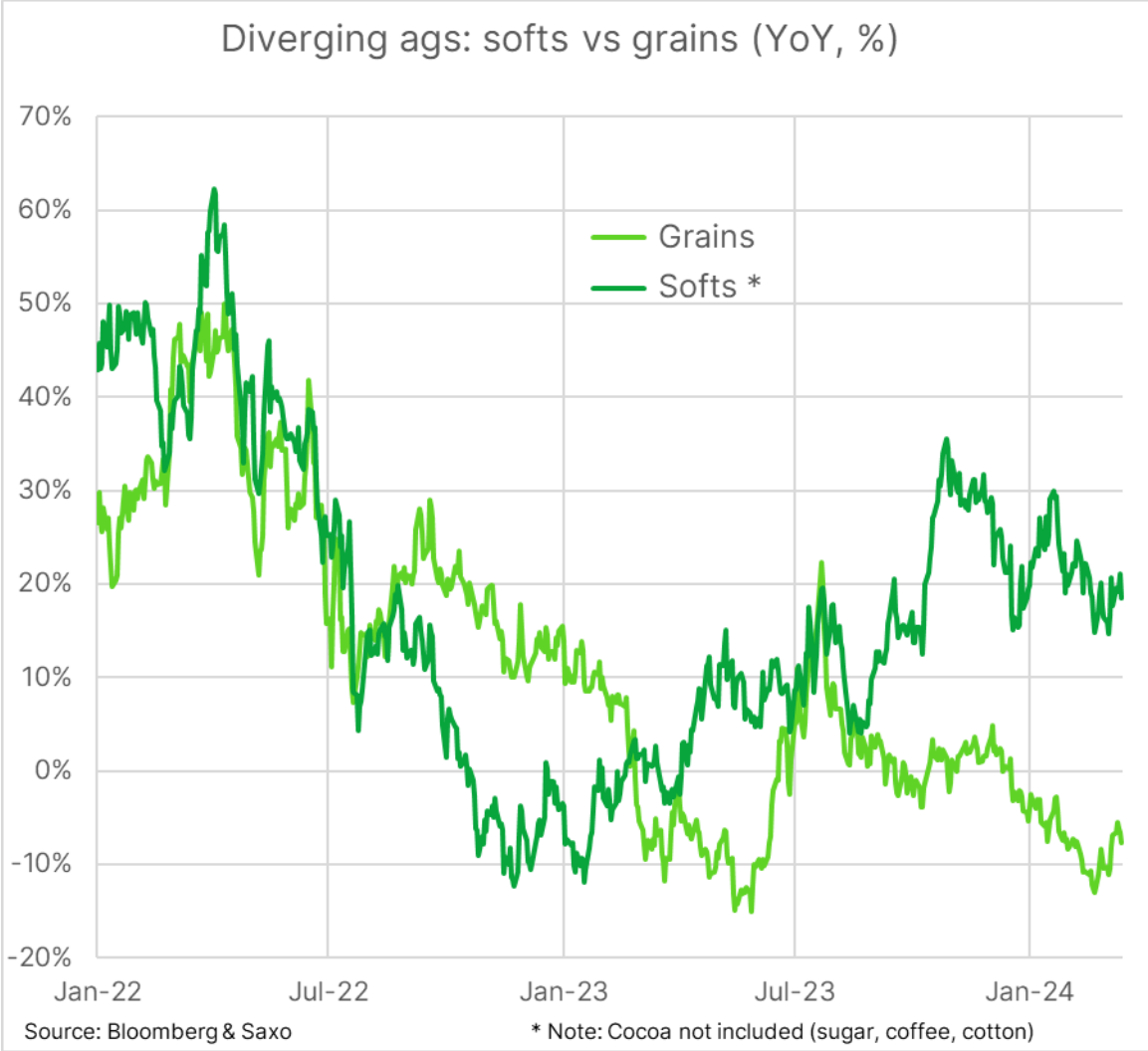


# Tight supply: Cocoa

(high prices the best cure for high prices)

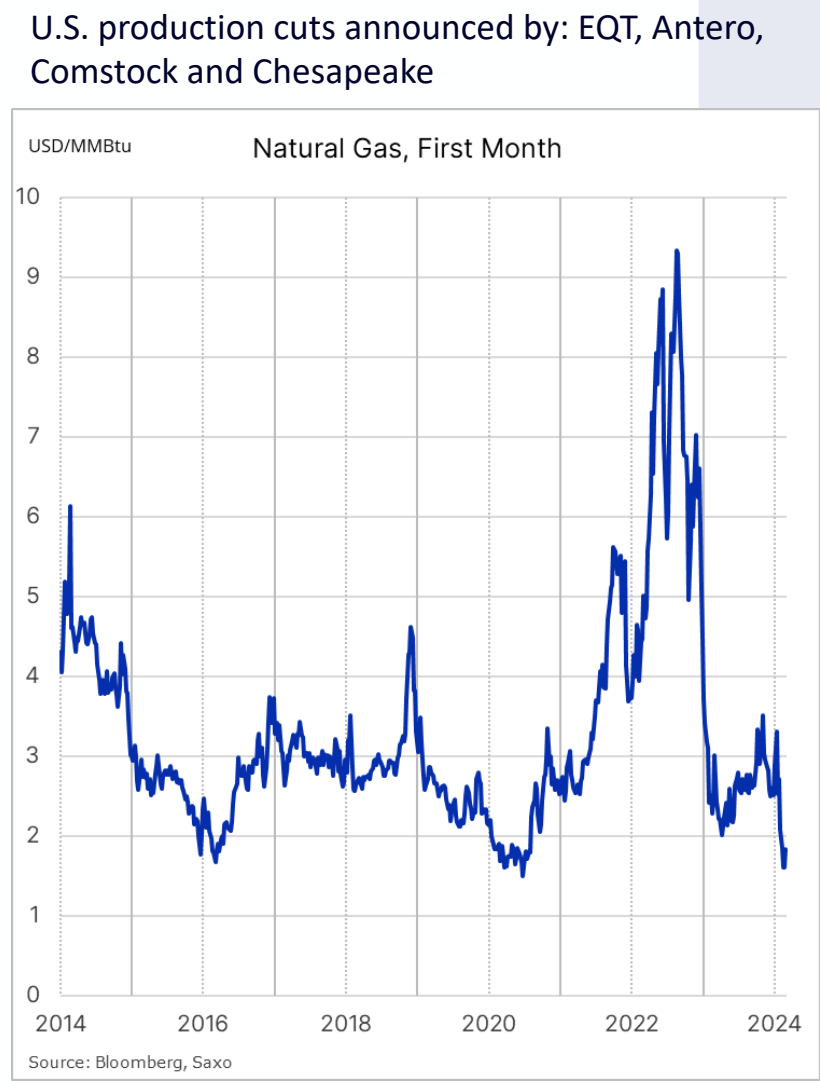
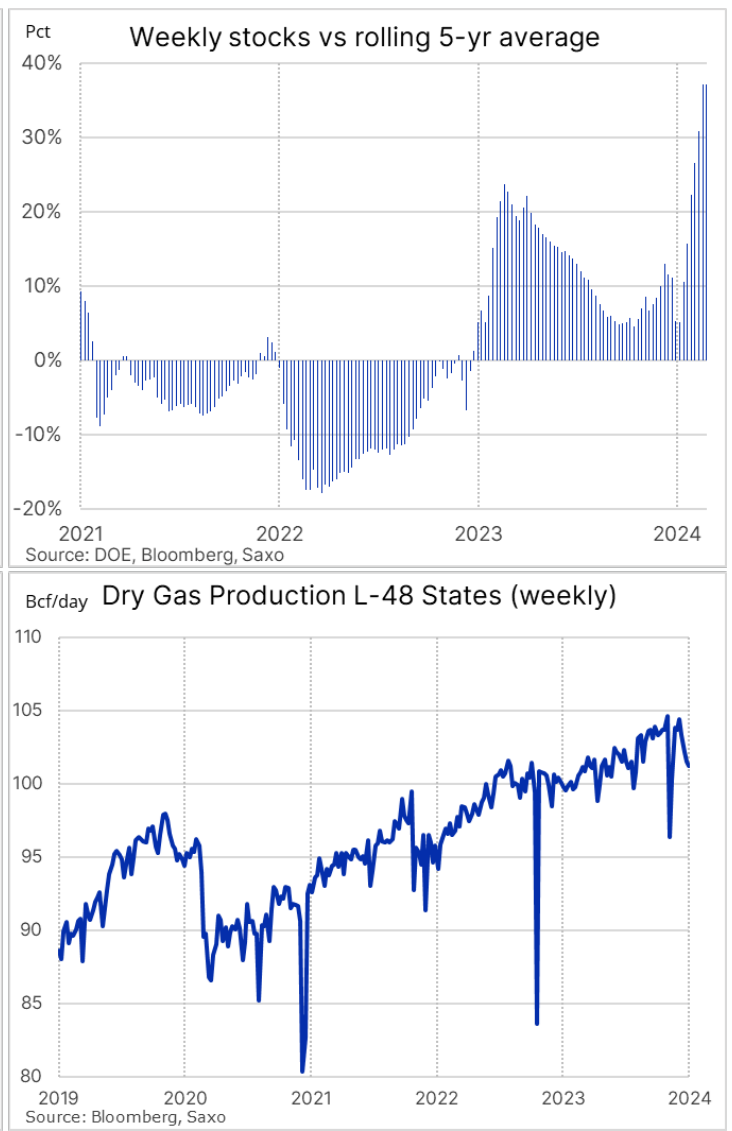
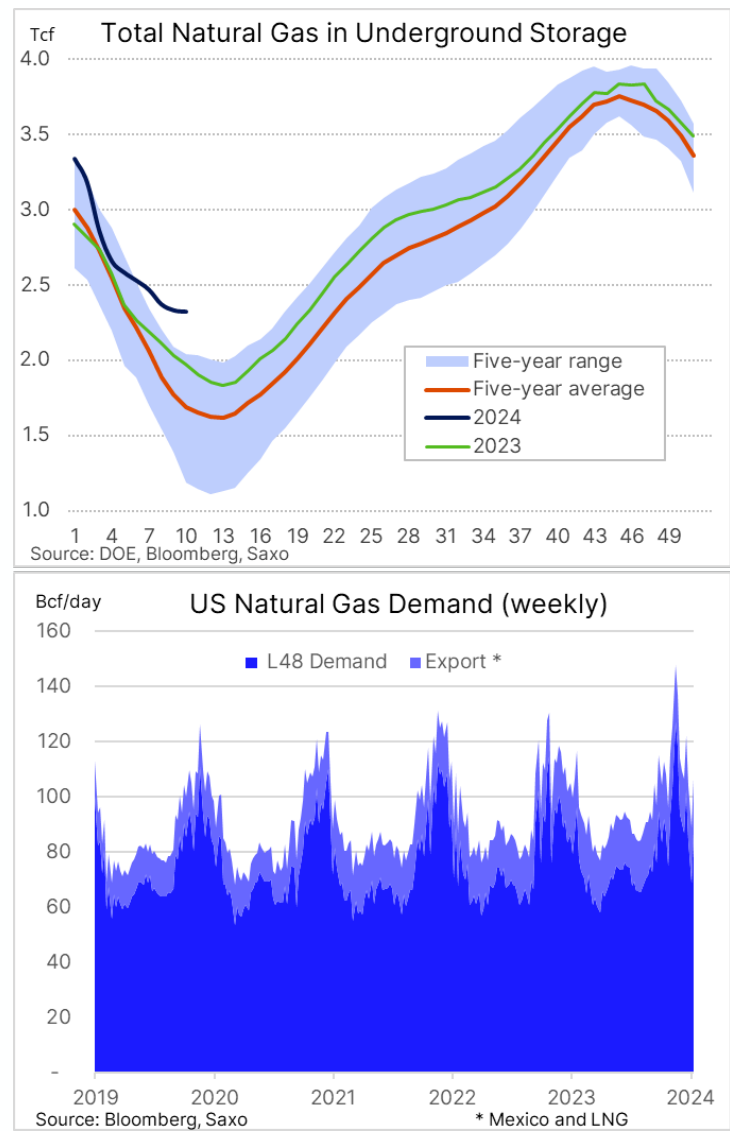


# Tight vs ample supply: Diverging agriculture sector

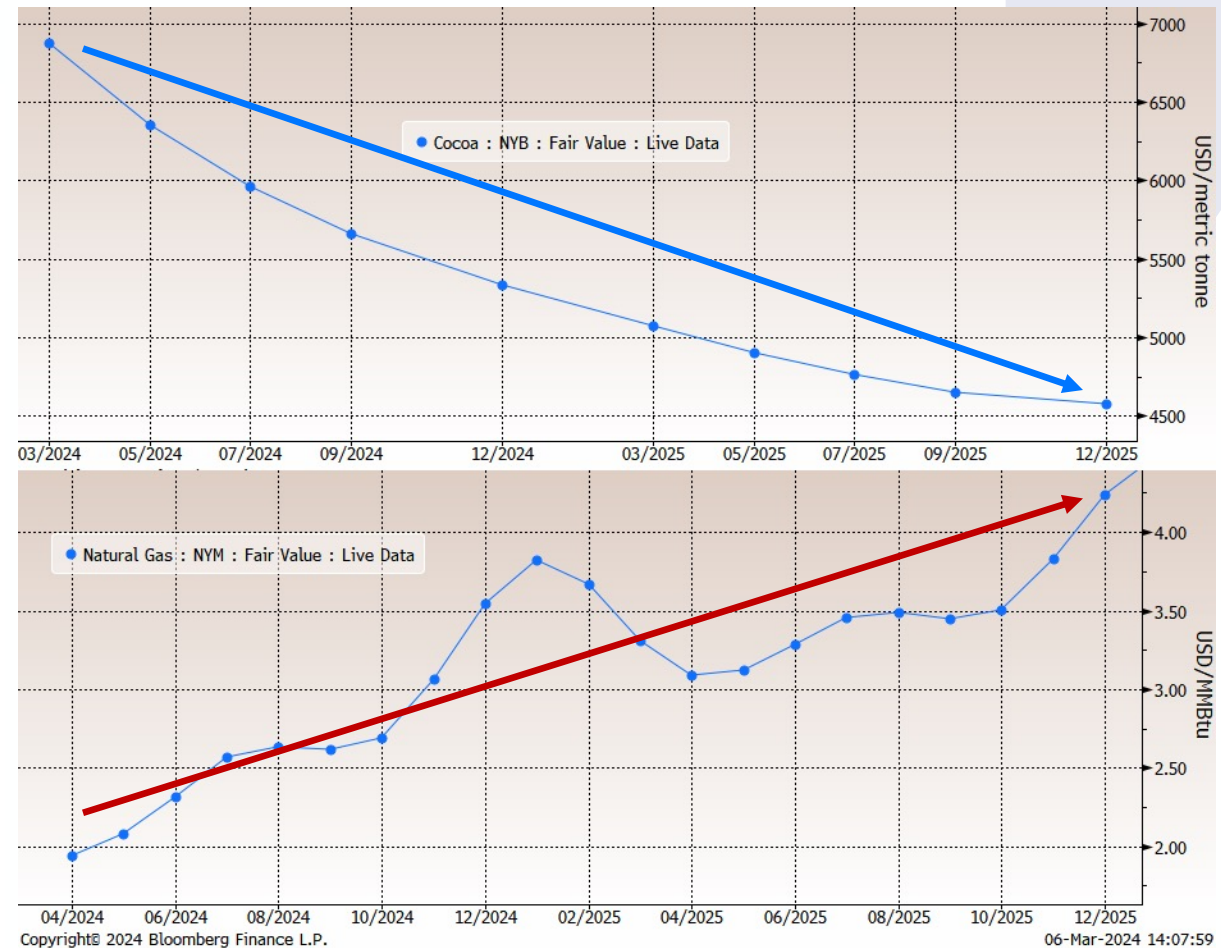
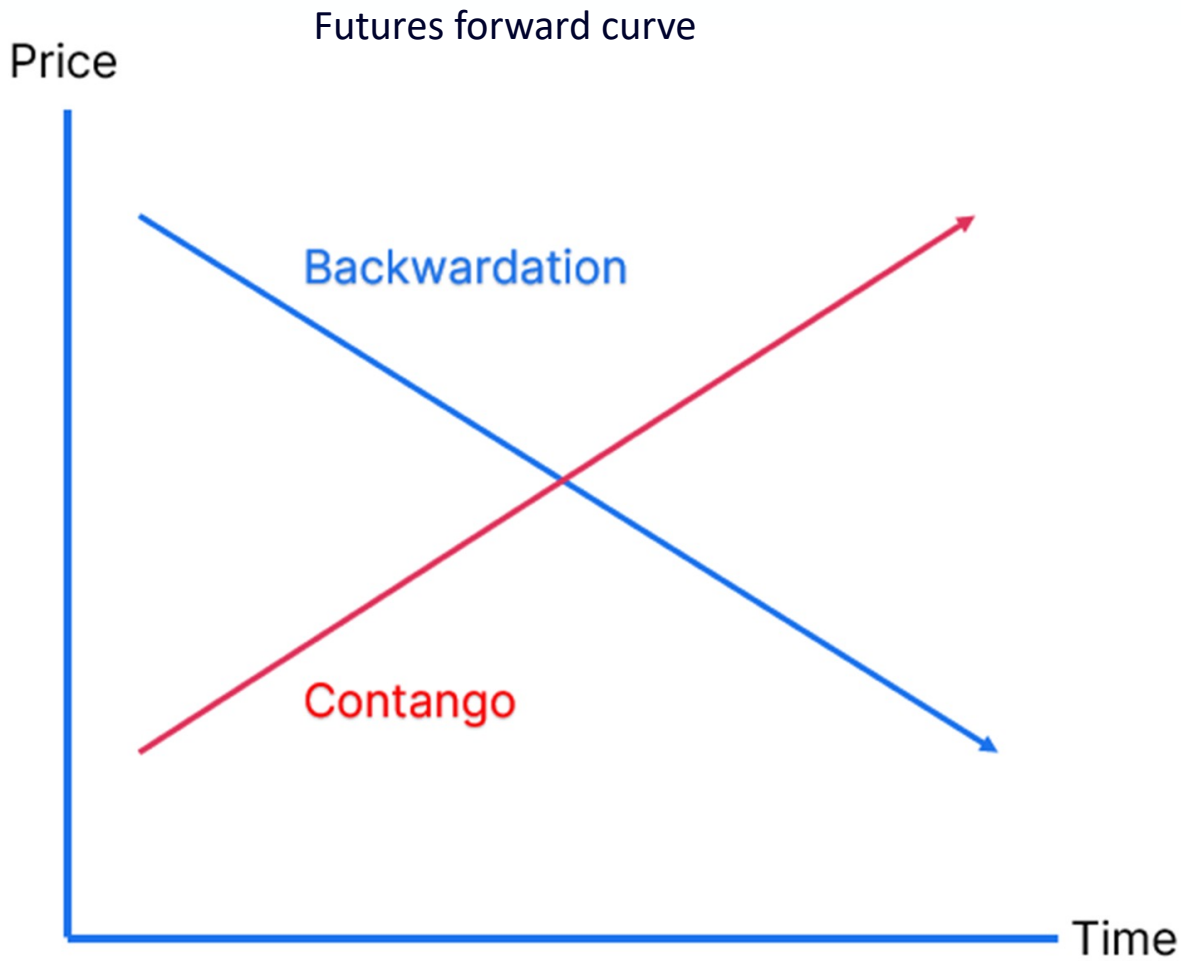


# Ample supply: Natural Gas

(low prices needed to cure low prices)

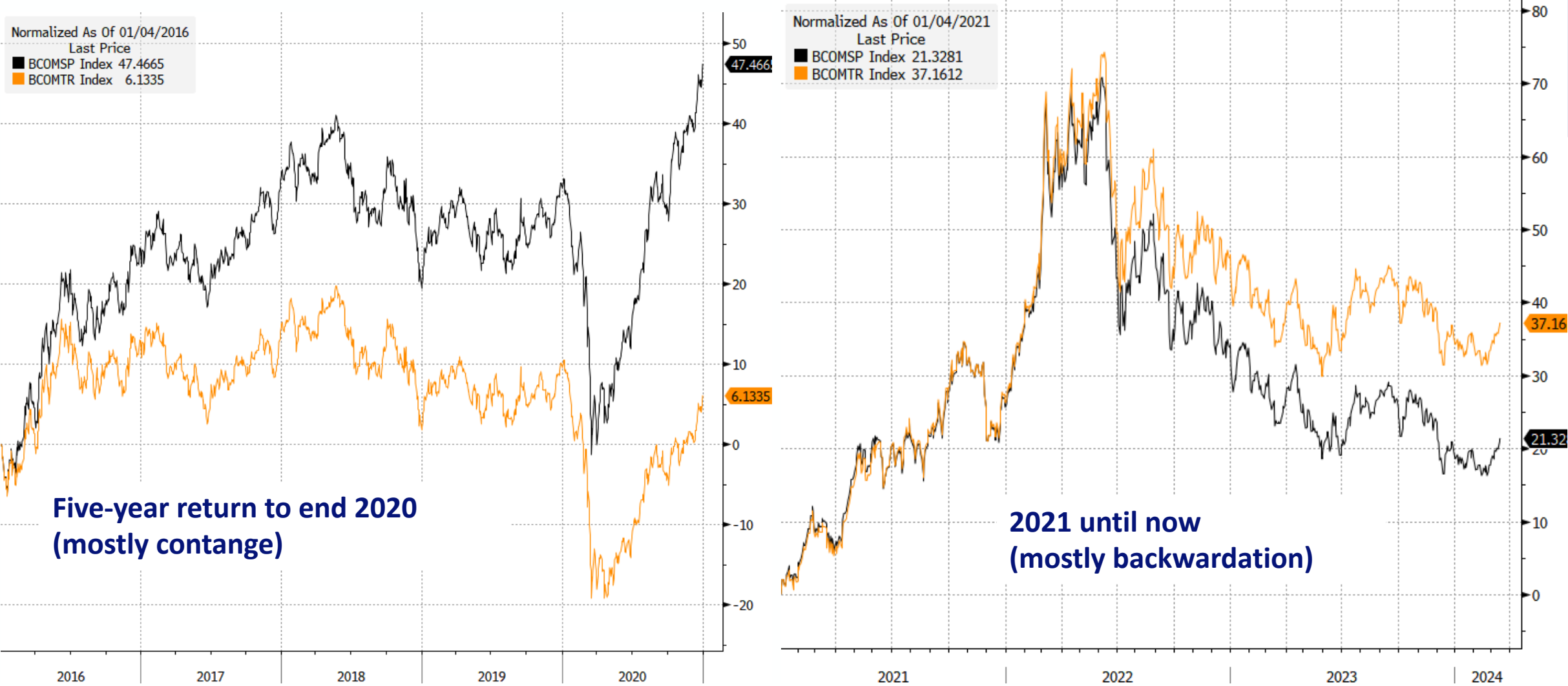


# Contango (ample supply) versus backwardation (tight supply)



Source: Bloomberg

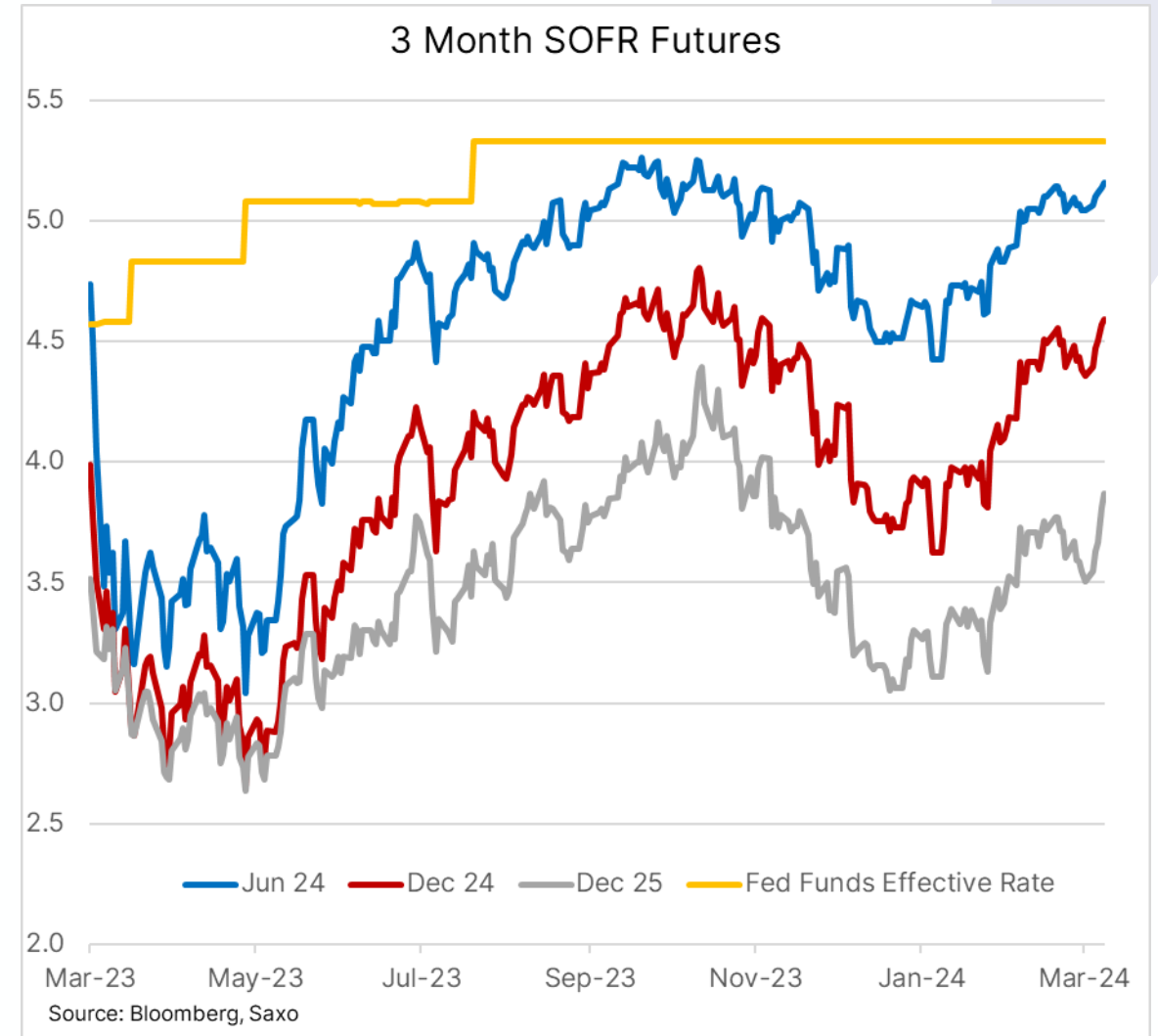
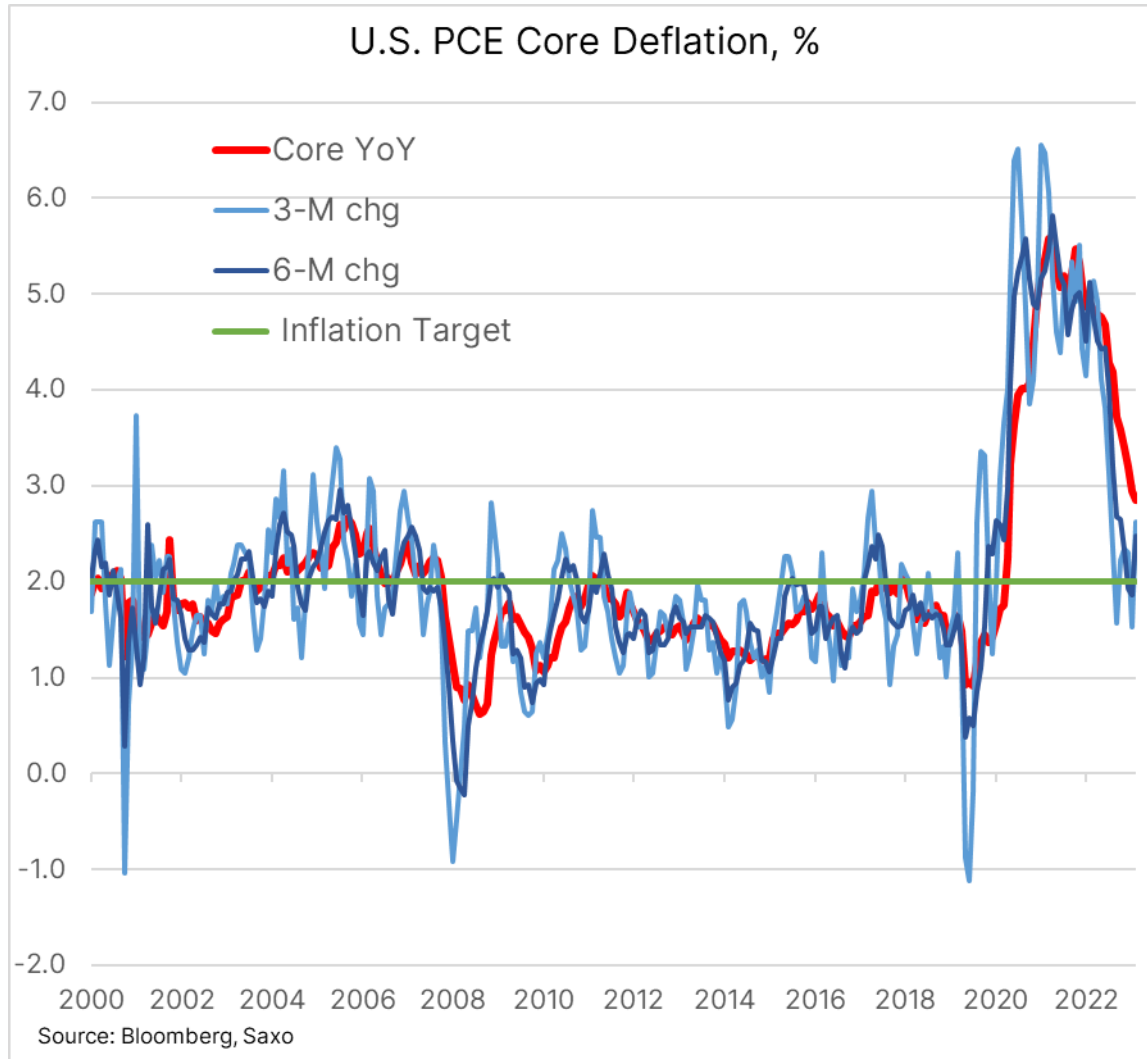
# Contango/backwardation impact on ETF's return



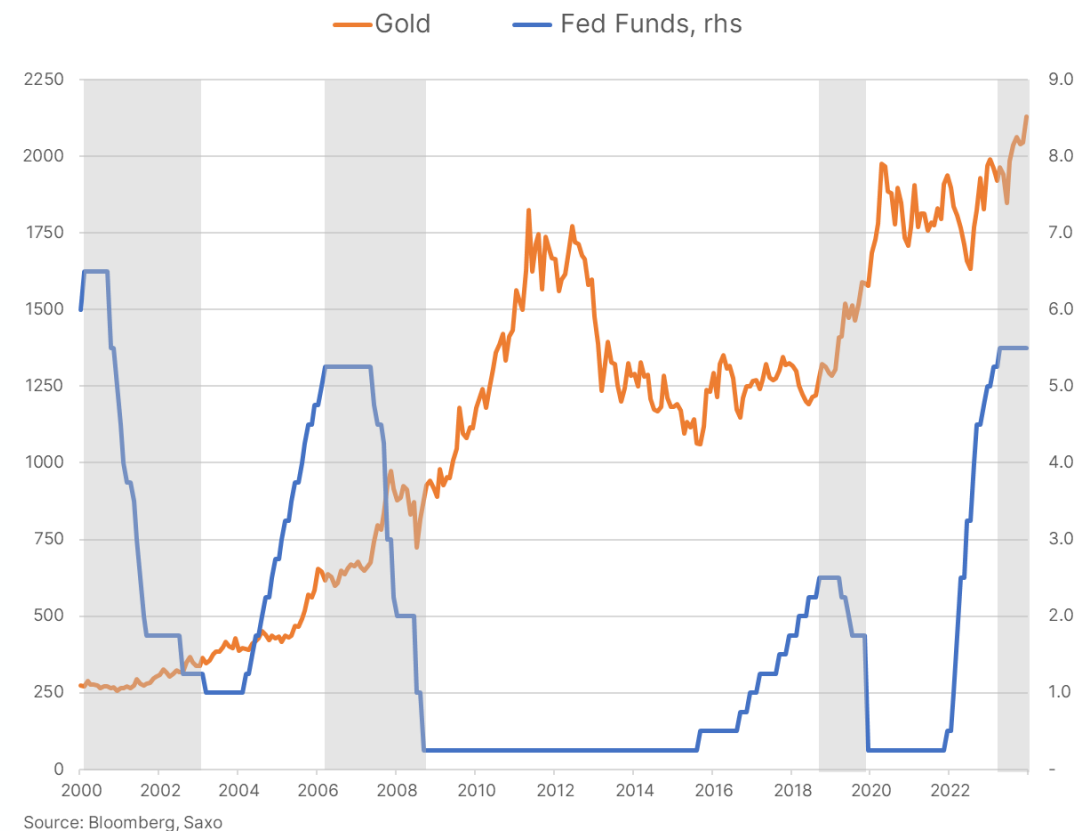
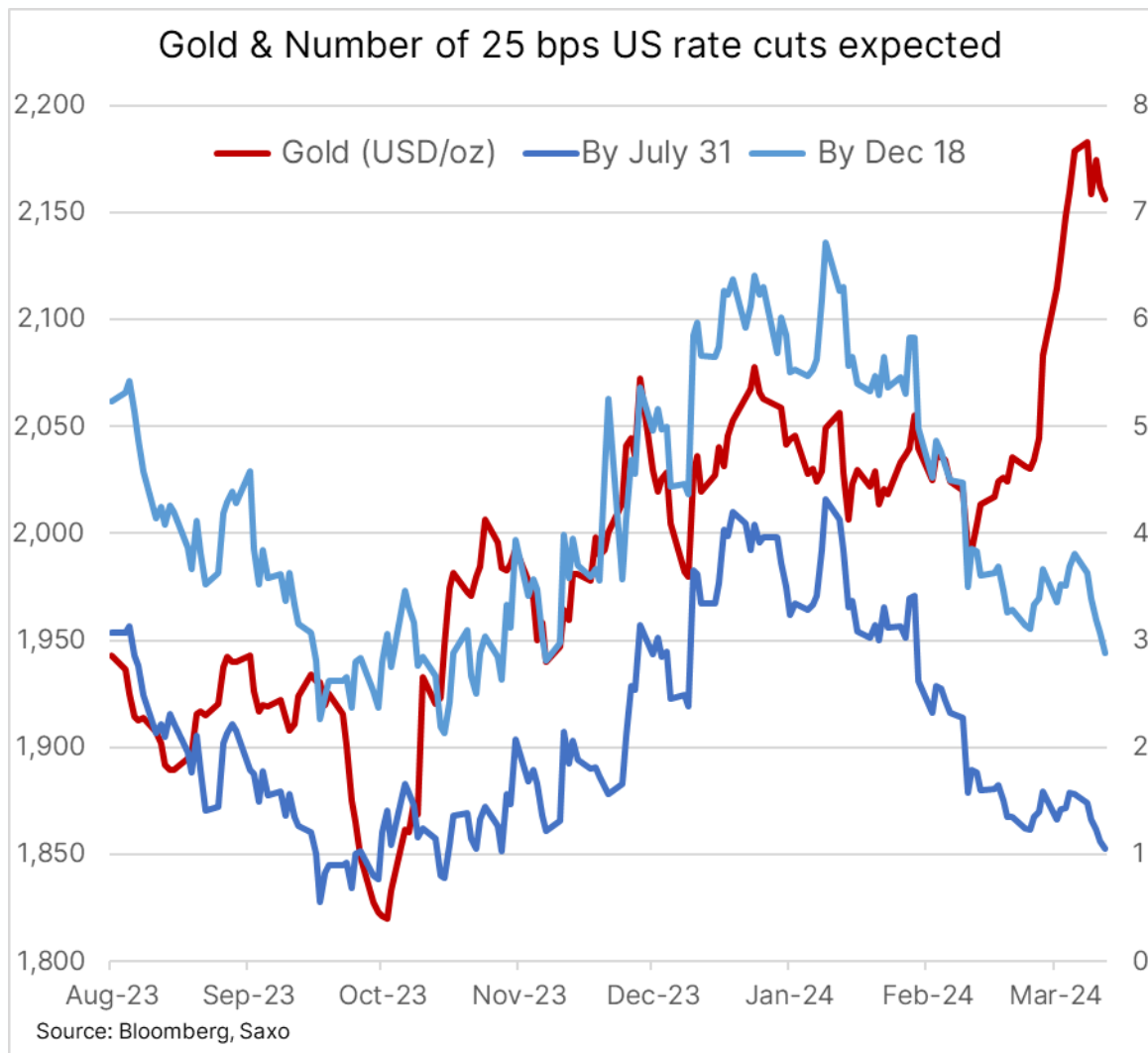
Source: Bloomberg



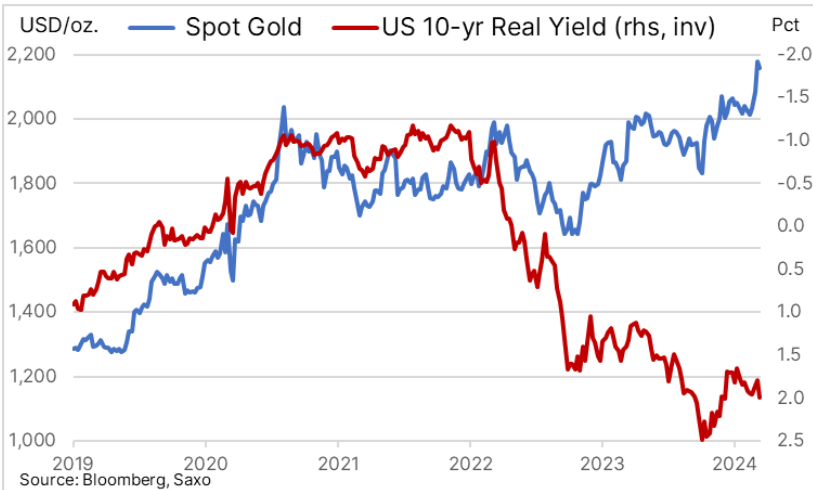
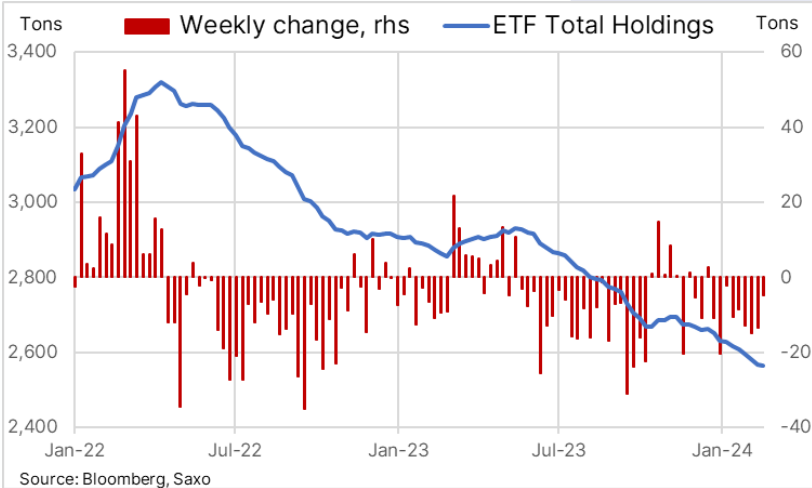
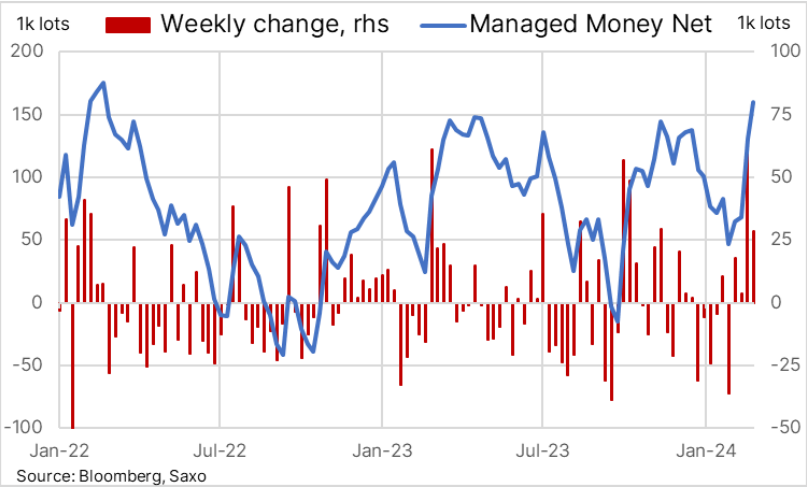
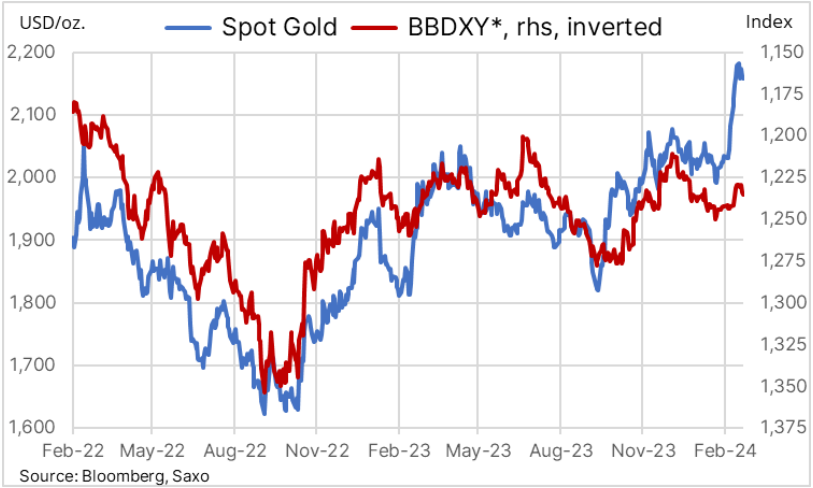
# Softening inflation => US rate cuts, but when ?



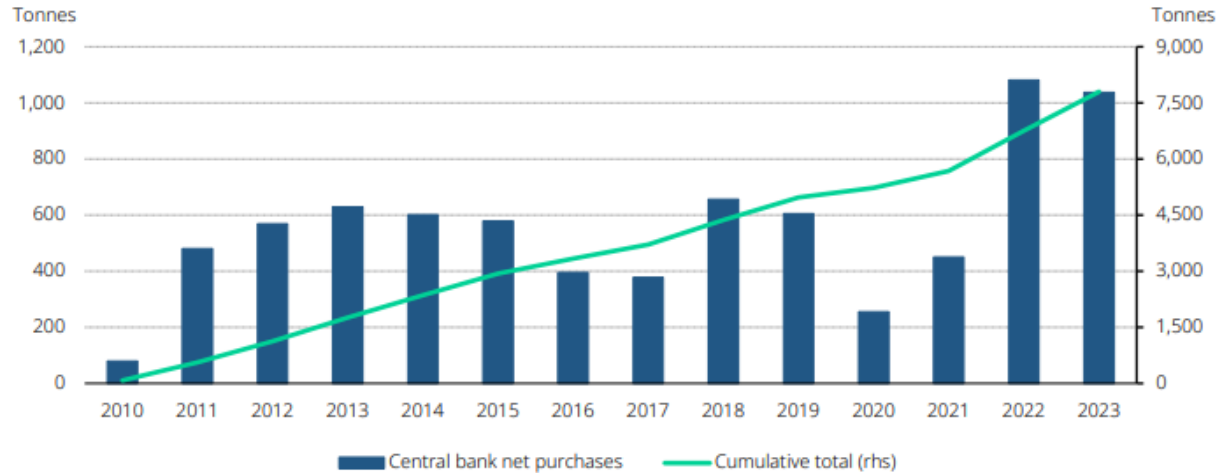
# Gold and silver: bull market gathering pace despite headwinds



# Gold rally: too much too soon ?



**Chart 8: Colossal central bank buying continued in 2023\***  
Annual and cumulative net gold demand from central banks, tonnes



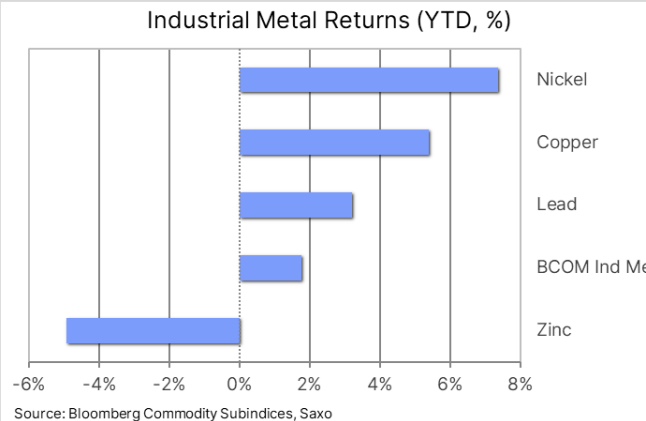
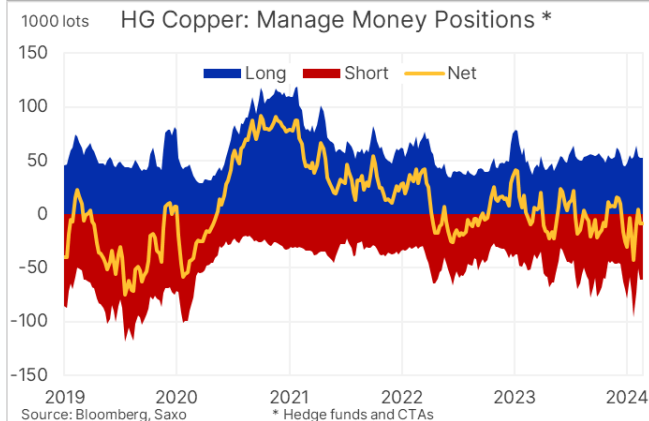
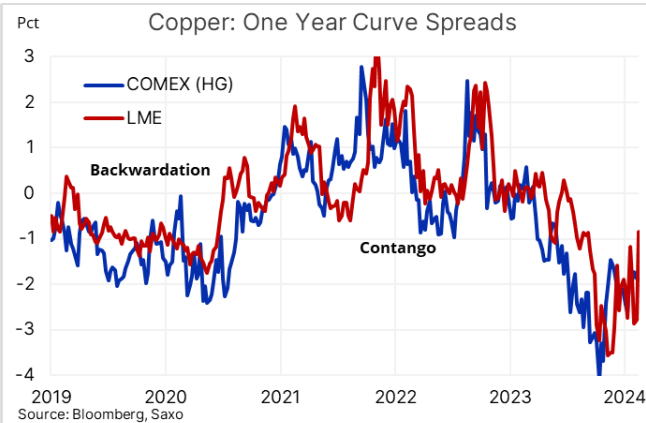
# Having build a base around \$2k we may see +\$2300 next



Source: Saxo



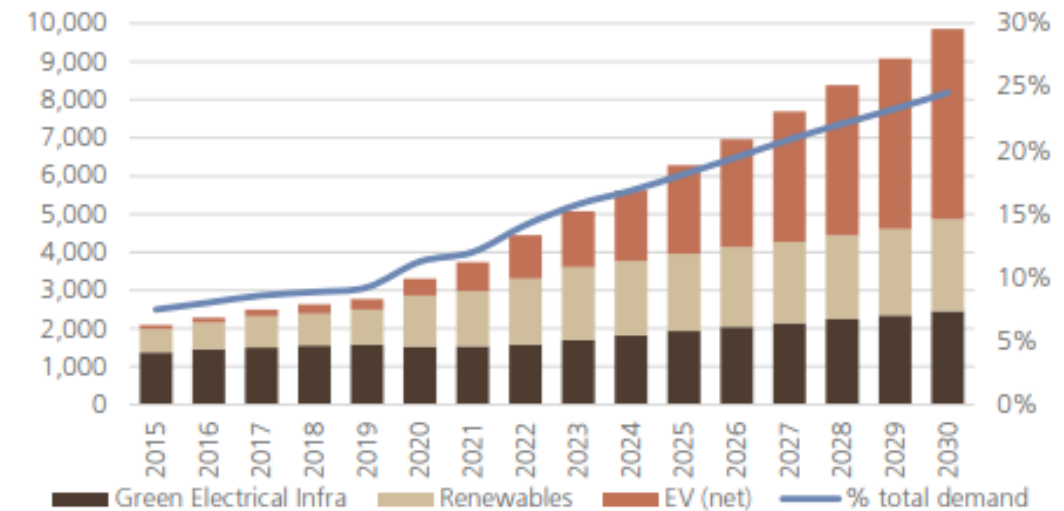
# Copper: Re-stocking, electrification, stimulus & disruptions



Miners are facing rising cash costs driven among others by:

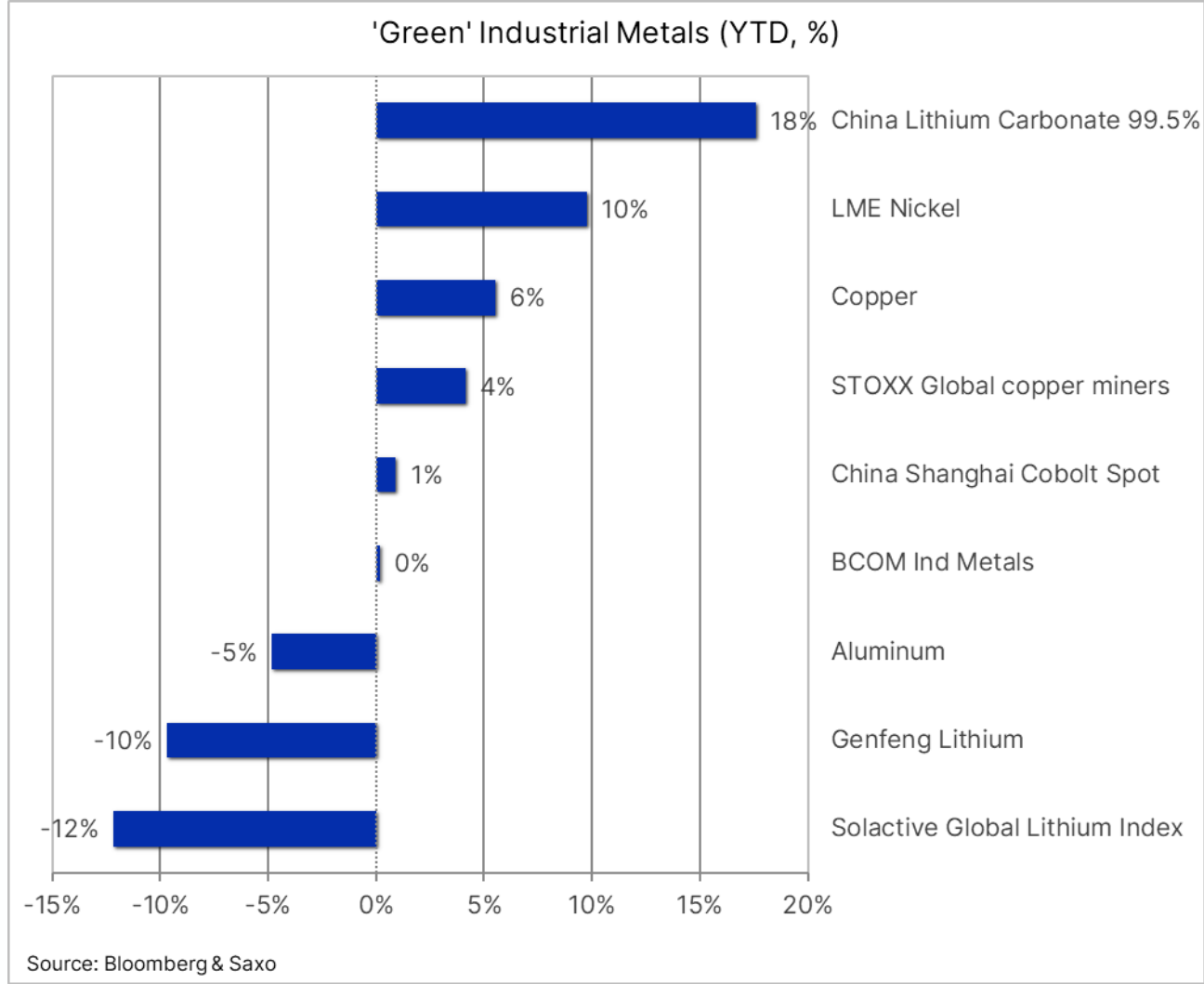
- Higher input prices (diesel, electric and labor)
- Lower ore grades
- Rising regulatory costs and government intervention
- Climate change: Disruptions from flooding to lack of water (A returning El Niño could trigger heavy rains in Chile, restricting access to mines)
- Panama shuts down giant Cobre mine (1.5% of world supply)**

Copper demand from energy transition (kt)



Source: Woodmac, UBS research

# Green transformation metals and miners



**Batteries:**

Copper, Graphite, Silicon, Titanium, Aluminum, Niobium, Cobalt, Lithium, Manganese, Nickel

**Electrical traction motors:**

Boron, Dysprosium, Neodymium, Praseodymium, Iron, Silicon, Aluminum, Copper, Chromium, Molybdenum

**Solar PV Technologies:**

Aluminum, Iron, Lead, Nickel, Zinc, Boron, Germanium, Silicon, Silver, Cadmium, Copper, Gallium, Indium, Molybdenum, Selenium, Tin, Tellurium.

**Wind turbines:**

Iron, Chromium, Manganese, Molybdenum, Nickel, Niobium, Aluminum, Copper, Lead, Boron, Dysprosium, Neodymium, Praseodymium

**The Hydrogen economy: Electrolysis and Fuel cells**

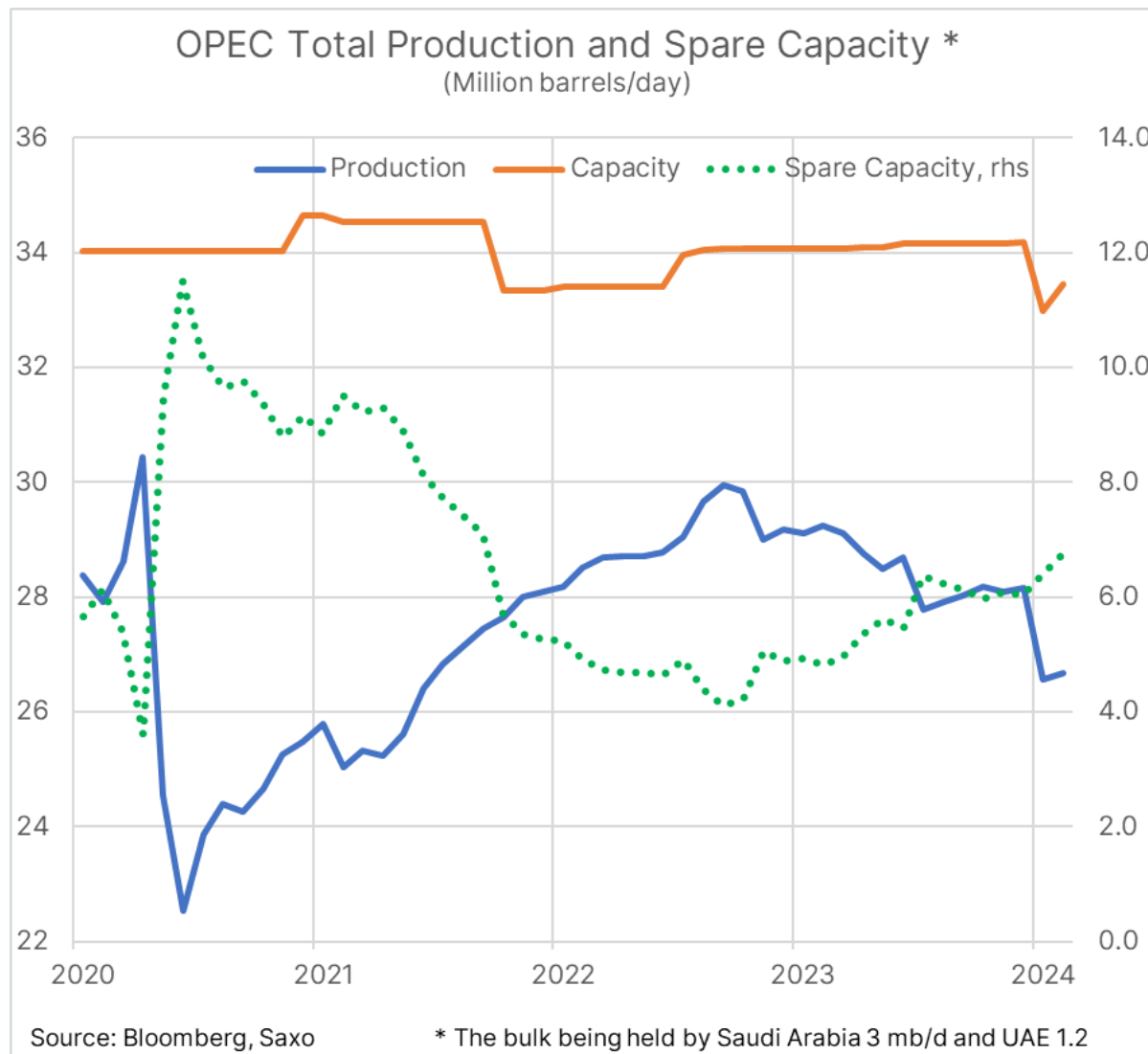
Cobalt, Palladium, Platinum, Graphite, Aluminum, Copper, Nickel, Strontium, Titanium

**Nuclear Power**

Requires ten times less steel and concrete compared with similar output generated by wind & hydro (US DOE)

**Critical raw materials:** Minor metals that play an outsized roll given their importance

# Crude oil: OPEC+ cuts => rising spare capacity => limited upside



Source: Saxo

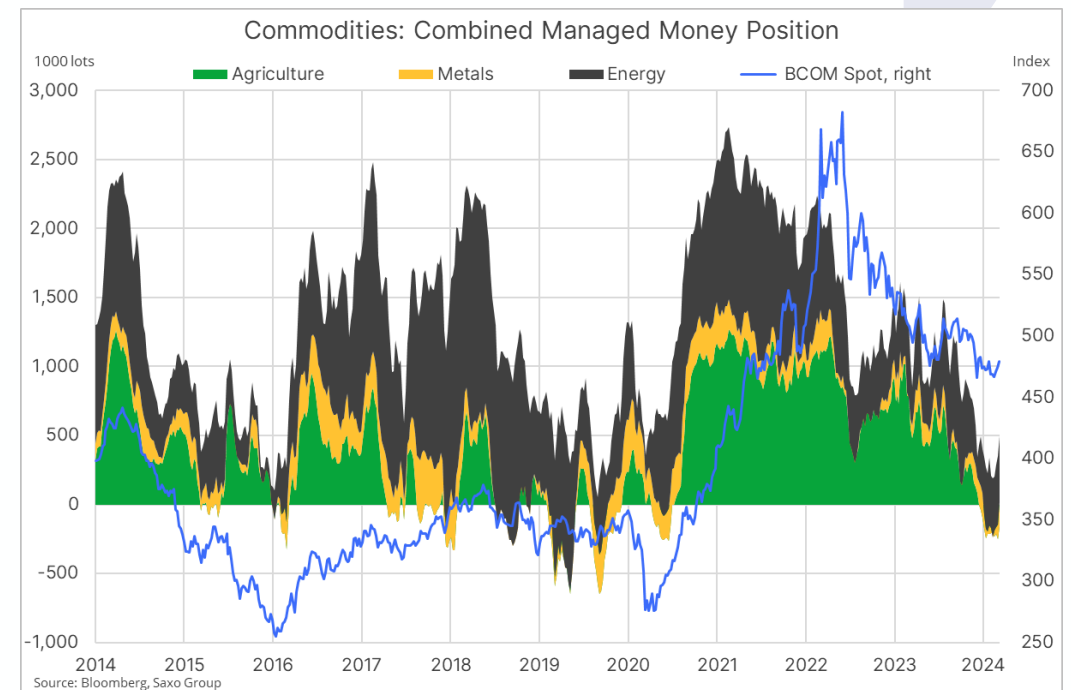
# What is the Commitment of Traders Report ?

Week to Tuesday: 12-Mar-24	Managed Money Positions							Trend
	Long	Change	Short	Change	Net	Change	Change Pct	
WTI Crude (CME)	203,563	-8,406	33,670	5,661	169,893	-14,067	-8%	
Brent Crude (ICE)	310,725	-1,837	76,567	810	234,158	-2,647	-1%	
Gas Oil (ICE)	102,994	2,171	44,248	1,119	58,746	1,052	2%	
RBOB Gasoline	75,405	4,337	8,636	-2,398	66,769	6,735	11%	
NY Harbor ULSD	38,356	-1,721	27,419	4,294	10,937	-6,015	-35%	
NatGas (4 contr.)	319,373	-14,416	379,737	-17,596	-60,364	3,180	-5%	
Gold	190,374	25,734	30,814	-2,766	159,560	28,500	22%	
Silver	45,652	4,603	18,991	-6,528	26,661	11,131	72%	
Platinum	30,749	527	33,202	-17,068	-2,453	17,595	-88%	
Palladium	3,783	430	14,219	-1,467	-10,436	1,897	-15%	
HG Copper	69,941	17,776	61,395	632	8,546	17,144	-199%	
Soybeans	56,290	3,833	211,427	-13,029	-155,137	16,862	-10%	
Soybean Meal	61,391	-2,647	112,326	-1,238	-50,935	-1,409	3%	
Soybean Oil	74,644	13,203	108,054	-15,860	-33,410	29,063	-47%	
Corn	177,057	3,280	432,985	-37,587	-255,928	40,867	-14%	
Wheat (CBOT)	77,445	-11,851	156,315	1,480	-78,870	-13,331	20%	
Wheat (KCBT)	54,146	2,236	89,693	-3,103	-35,547	5,339	-13%	
Sugar	111,140	-1,381	58,969	-8,007	52,171	6,626	15%	
Cocoa NYBOT	56,762	880	23,084	-833	33,678	1,713	5%	
Cocoa LIFFE	43,160	-1,665	734	-179	42,426	-1,486	-3%	
Coffee Arabica	62,625	2,446	15,556	-1,261	47,069	3,707	9%	
Coffee Robusta	51,700	2,052	8,711	304	42,989	1,748	4%	
Cotton	99,399	-2,335	6,239	866	93,160	-3,201	-3%	
Live Cattle	85,706	1,720	22,395	-2,227	63,311	3,947	7%	
Feeder Cattle	14,496	-1,336	4,157	-148	10,339	-1,188	-10%	
Lean Hogs	70,840	-3,831	7,161	-2,420	63,679	-1,411	-2%	
<b>Total</b>	<b>2,487,716</b>	<b>33,803</b>	<b>1,986,704</b>	<b>-118,549</b>	<b>501,012</b>	<b>152,351</b>	<b>44%</b>	

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





# Where to find us?



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