



Commodity outlook

MacroVoices, October 2023

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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 the current commodity bull cycle?

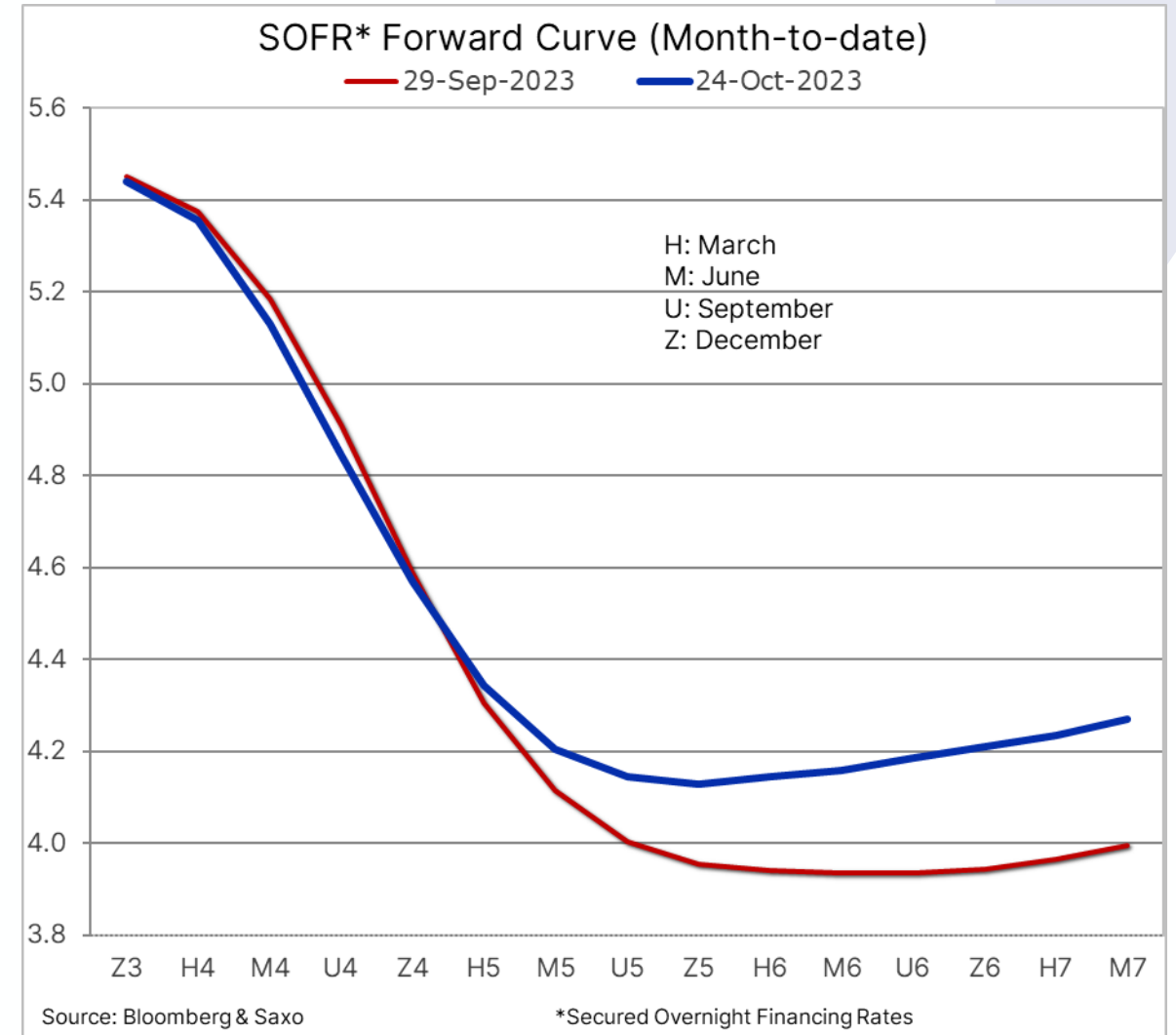
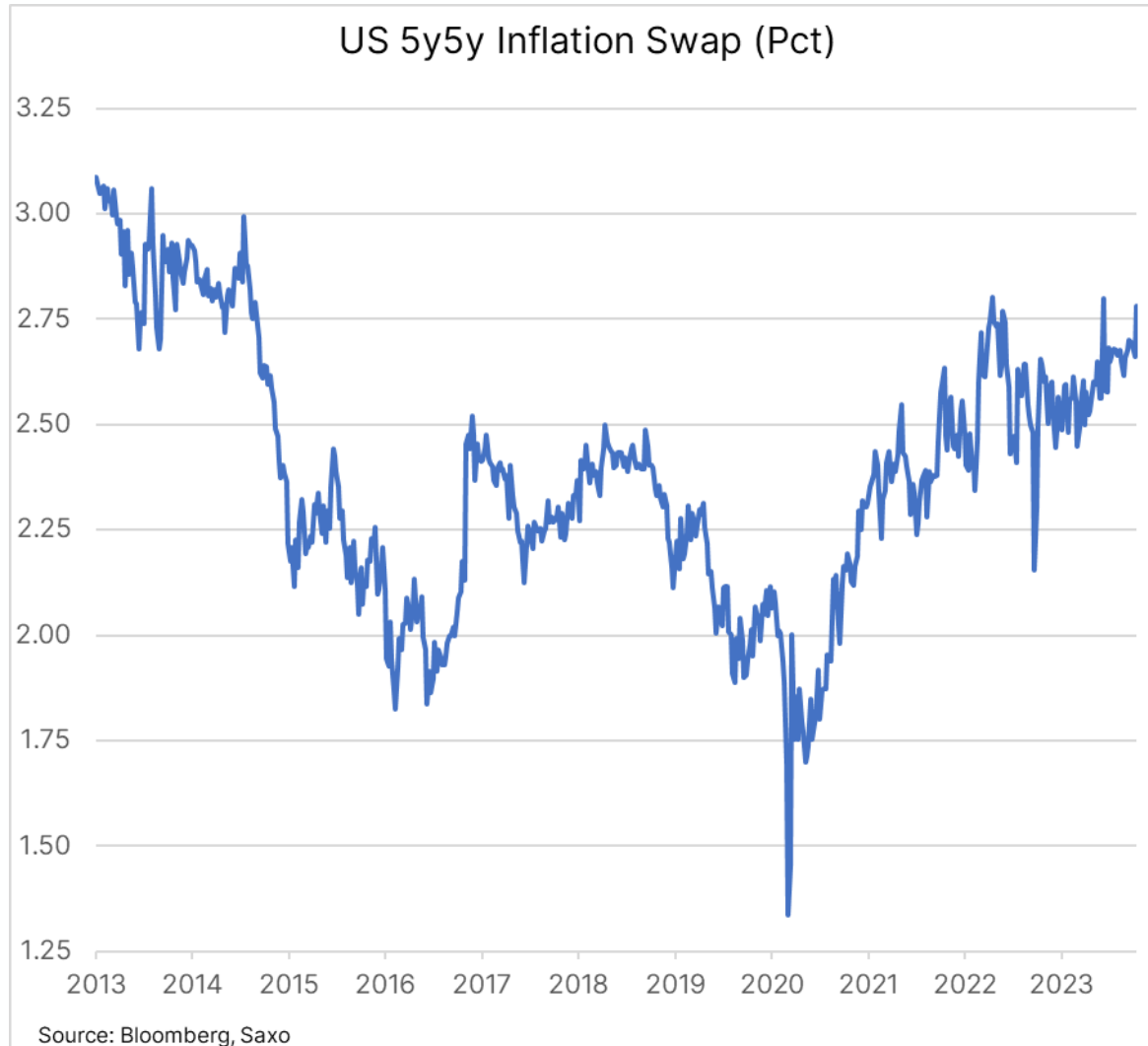
- **Fragmentation** with focus on **reshoring** and **friend-shoring** pushing up demand for, and prices of key commodities
- **Green transformation** supporting demand for industrial metals towards “new” energy
- **Structural inflation** of 3-4% driving demand for tangible assets
- **Tight supply of key commodities** due to rising funding costs and lower investment appetite driven by ESG, investor and lending restrictions

Duration determined by:

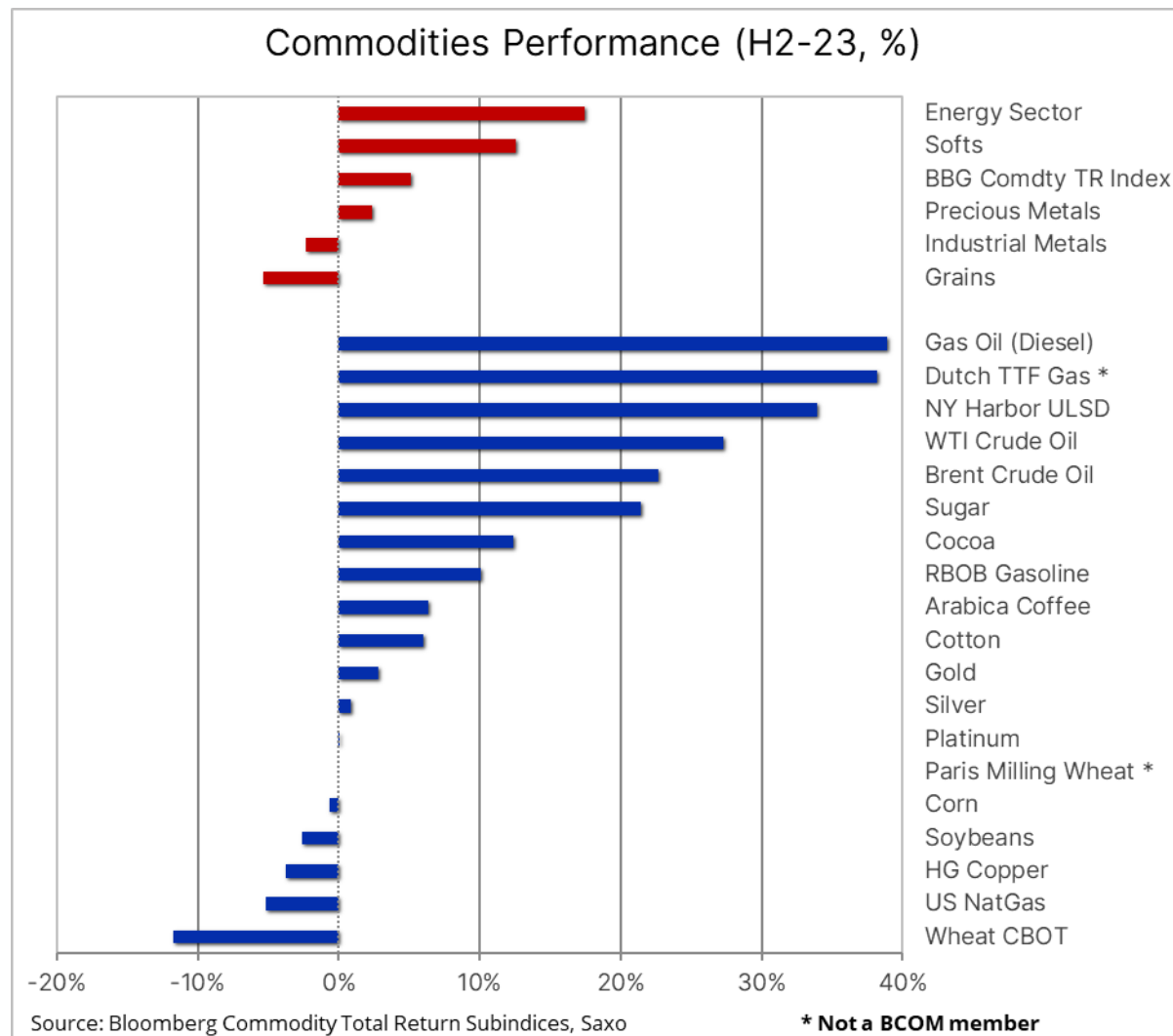
- Prolonged period of mismatch between rising demand and inelastic supply
- Supply/demand imbalances take years to correct
- High start-up capex for new projects and falling ore grades



Sticky inflation lifting the future Fed funds floor

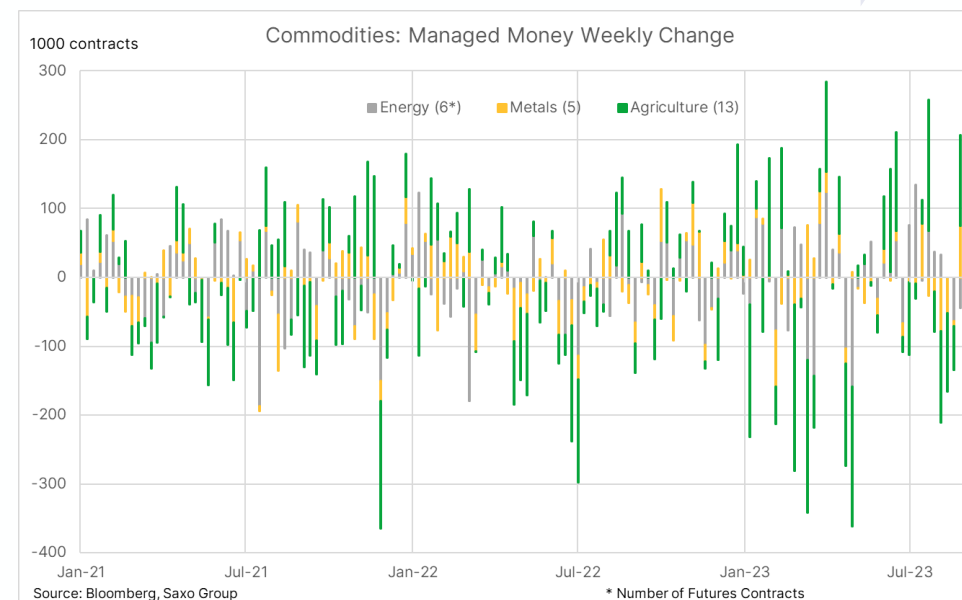


Bounce back H2-23 led by surging energy sector and softs

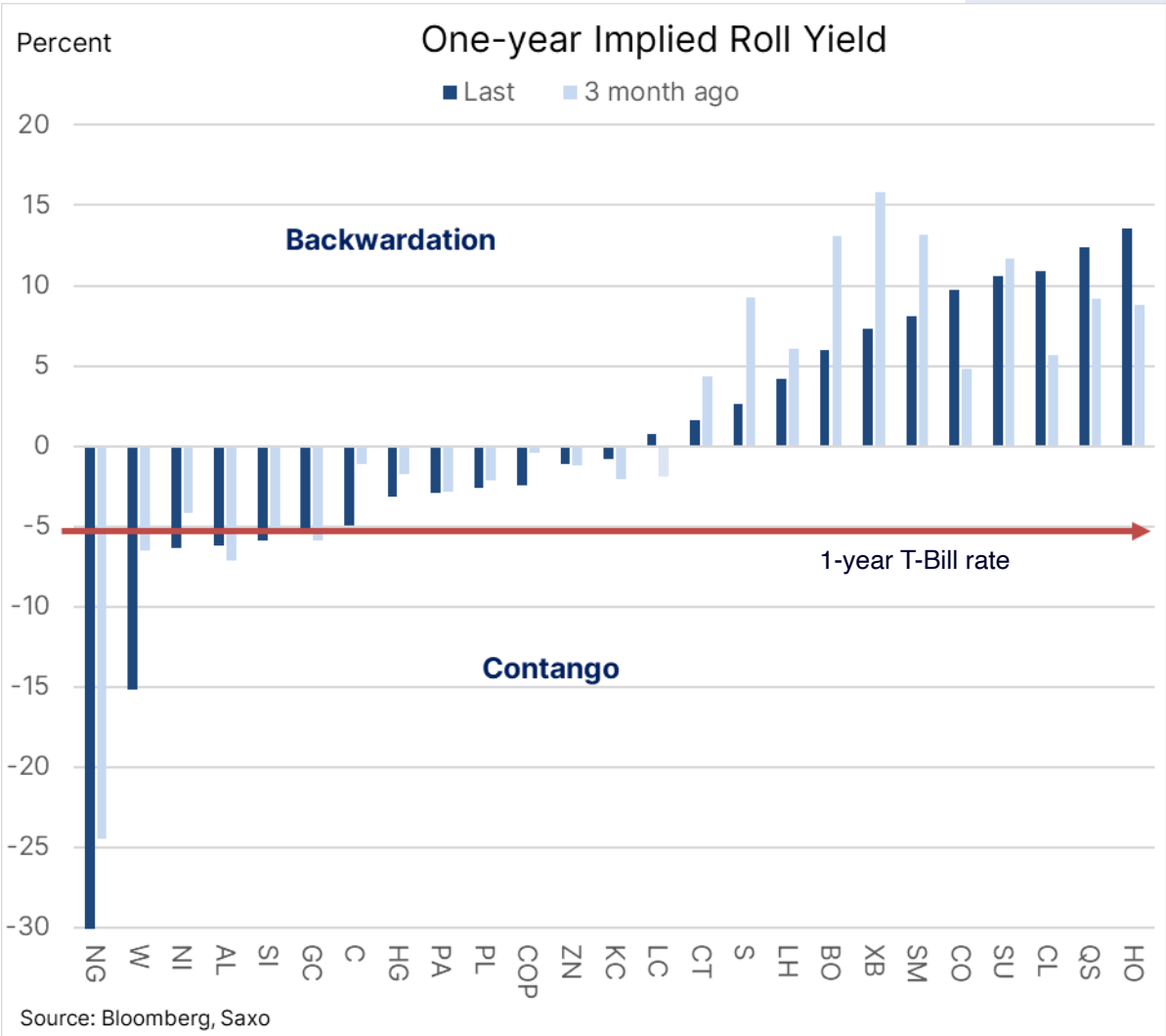
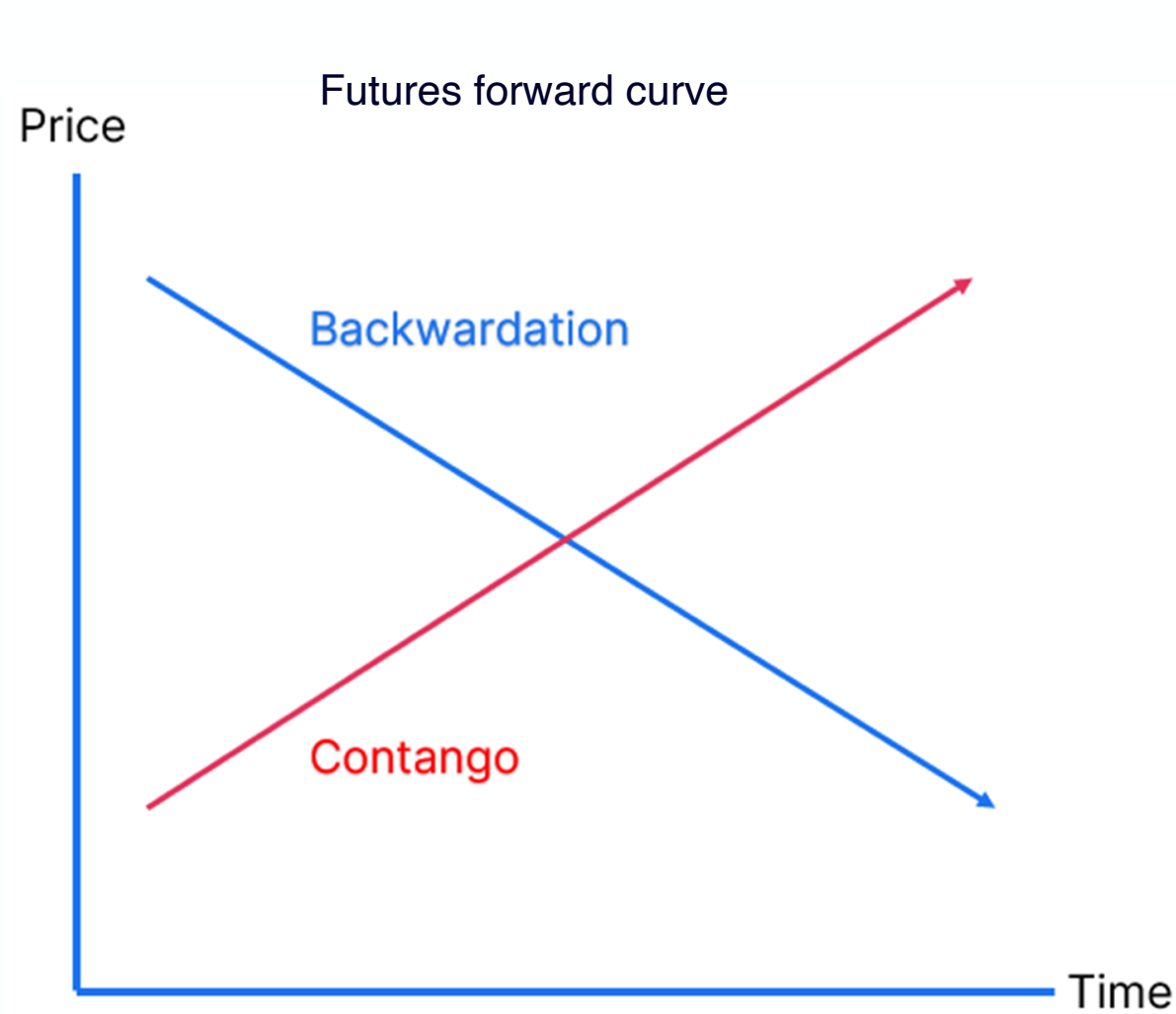


Recent and current developments:

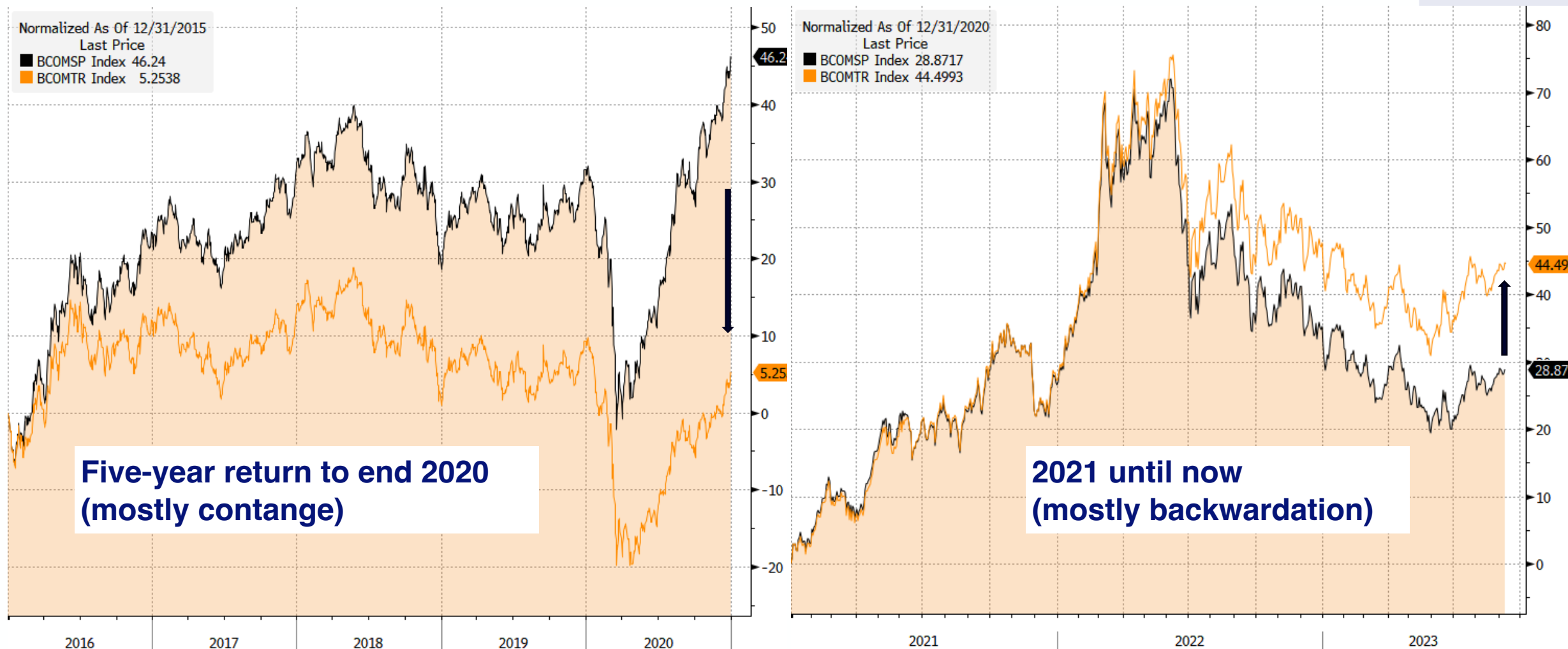
- Recession worries, dollar and yield strength
- Weak post-Covid recovery in China
- US rates high for longer
- China stimulus
- OPEC+ crude production cuts
- Hot weather concerns
- MidEast Crisis



Contango (ample supply) versus backwardation (tight supply)



Contango/backwardation impact on ETF's return

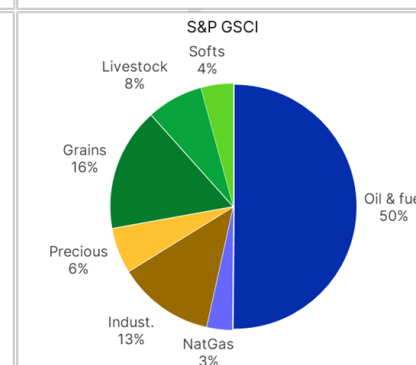
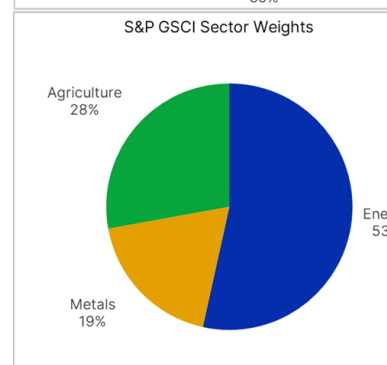
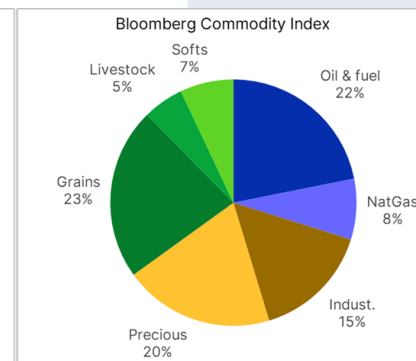
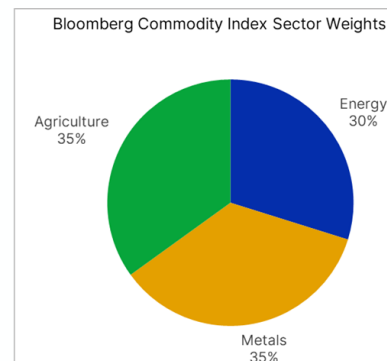


Commodity ETF flows favor broad exposure

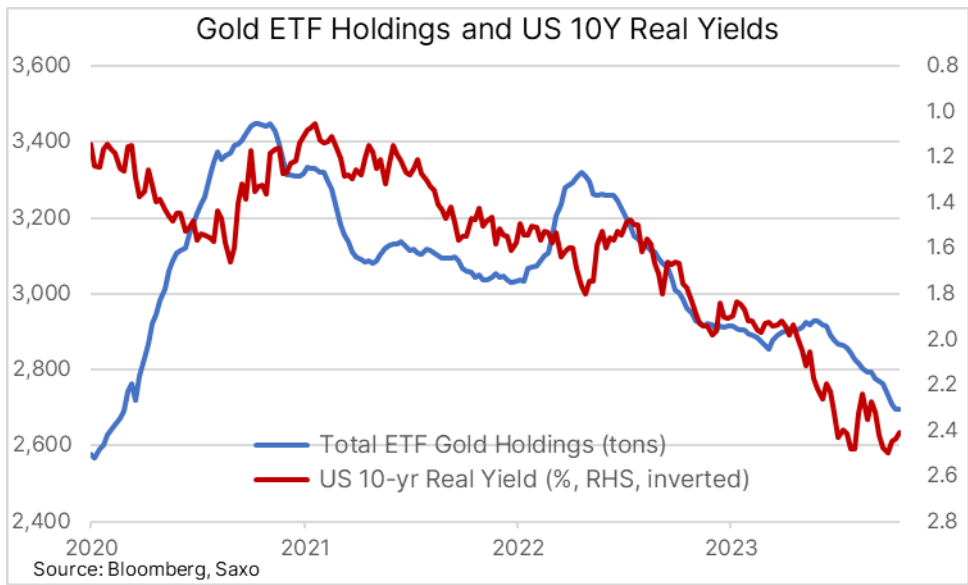
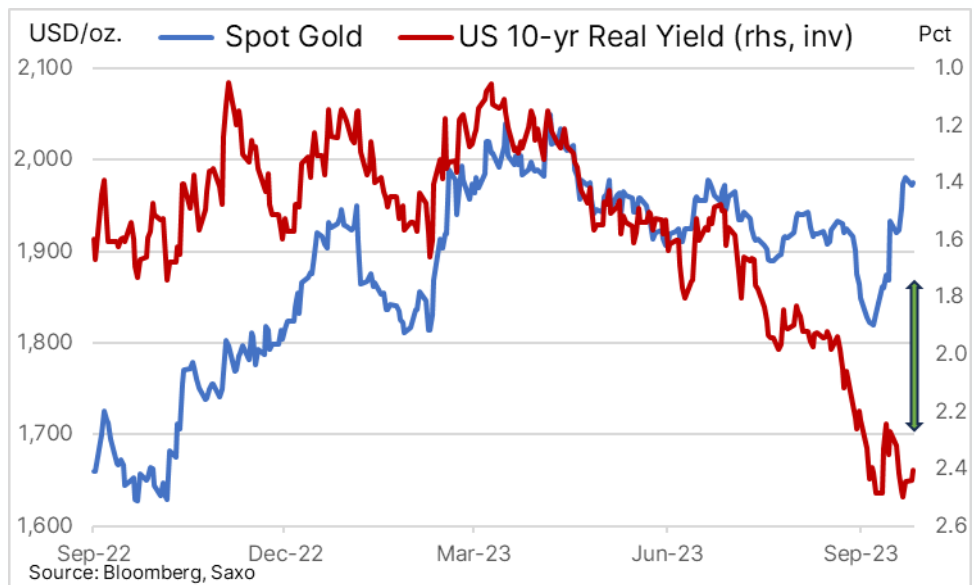
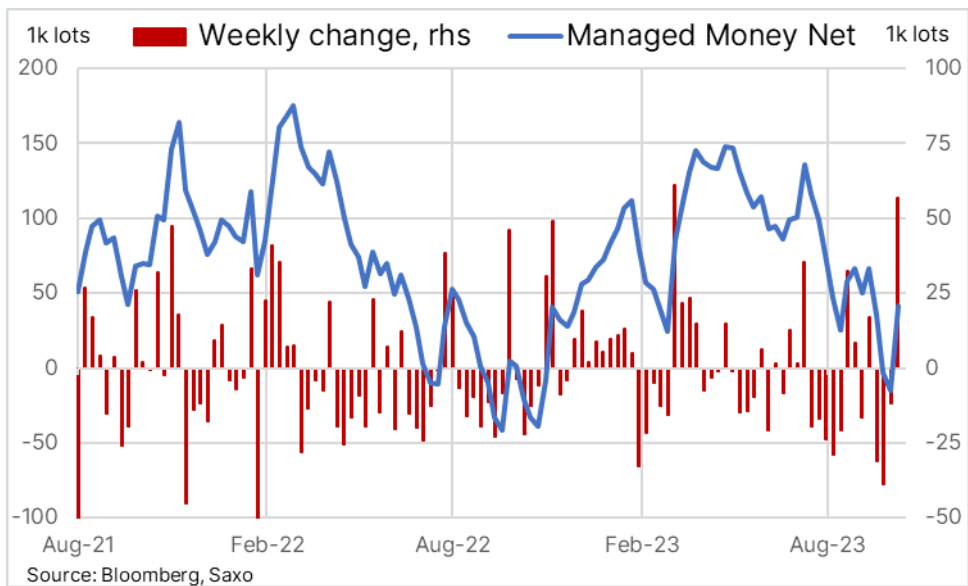
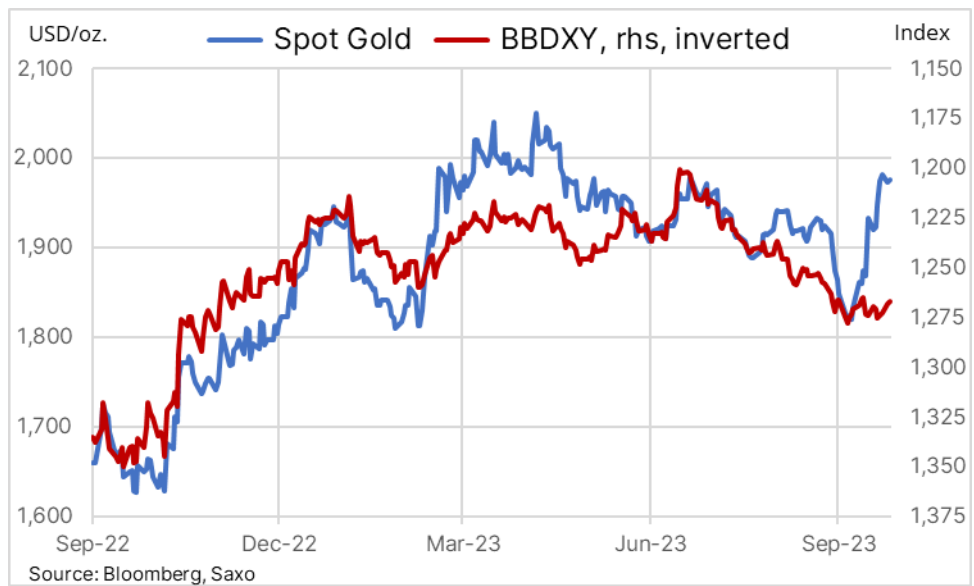
10/24/2023				Size & flows, Mn \$			Performance, %		
UCITS Eligible ETFs	Tracking	Saxo Ticker	CCY	Mkt Cap	1 Mth	3 Mth	1 Mth	YTD	1 yr
Invesco BCOM	BCOM Total Return	CMOD:xlcn	USD	2,319	66.3	376.8	-1.3	-3.6	-2.4
iShares BCOM Enhanced Roll	BCOM Enhanced Roll	ROLL:xlcn	USD	1,464	185.7	210.8	-1.3	1.3	5.8
WisdomTree Platinum	BCOM WTI Index	CRUD:xlcn	USD	364	-5.3	-3.8	-4.7	-16.6	-4.5
WisdomTree Agriculture	BCOM Ag Index	AIGA:xlcn	USD	292	-5.8	-4.5	0.5	-2.1	1.6
WisdomTree Industrials	BCOM Ind Index	AIGI:xlcn	USD	428	0.0	-15.2	-4.2	-16.7	-4.1
WisdomTree Natural Gas	BCOM NatGas Index	NGAS:xlcn	USD	142	-13.6	-20.5	5.7	-53.5	-64.5
iShares Physical Silver	Spot Silver	ISLN:xlcn	USD	480	-13.2	-44.7	-3.0	-4.5	19.1
WisdomTree WTI Crude Oil	BCOM WTI Index	CRUD:xlcn	USD	659	55.8	-61.2	-1.8	15.8	11.6
iShares Div Commodity Swap	BCOM Total Return	ICOM:xlcn	USD	1,945	-258.4	-99.7	-1.1	-3.4	-2.0
WisdomTree Copper (London)	BCOM Copper Index	COPA:xlcn	USD	886	-326.0	-291.8	-3.1	-5.4	6.2
WisdomTree Brent Crude Oil	BCOM Brent Index	BRNT:xlcn	USD	1,811	23.0	-855.7	-1.9	14.7	8.6
iShares Physical Gold	Spot Gold	IGLN:xlcn	USD	13,684	-814.1	-915.7	1.9	7.9	19.0
Non-UCITS ETFs				Size & flows, Mn \$			Performance, %		
	Tracking	Saxo Ticker	CCY	Mkt Cap	1 Mth	3 Mth	1 Mth	YTD	1 yr
Invesco Optimal Yield Diversified	DBIQ Opt Yield	PDBC:arcx *	USD	5,897	251.8	685.4	-1.0	1.2	-11.4
United States Oil Fund *	WTI Crude Oil	USO:arcx *	USD	1,887	516.8	412.0	-2.2	12.5	12.1
iPath BBG Commodity Index	BBG Commodity TR	DJP:arcx	USD	614	-24.3	22.7	-1.2	-4.2	-2.3
iShares S&P GSCI *	S&P GSCI TR	GSG:arcx *	USD	1,109	-26.1	-6.2	-2.0	4.2	2.5
Aberdeen Phys Platinum Shares	Platinum Bullion	PPLT:arcx	USD	874	-12.4	-9.4	-3.2	-16.6	-3.5
Invesco DB Agriculture Fund *	DBIQ Div. Agri Index	DBA:arcx *	USD	821	-17.2	-38.9	0.3	8.8	9.8
Aberdeen Phys Gold Shares	Gold Bullion	SGOL:arcx	USD	2,704	-22.8	-76.3	2.4	8.1	19.4
US NatGas Fund *	Natural Gas	UNG:arcx *	USD	1,002	-174.0	-91.9	1.6	-51.7	-63.3
ProShares 2X WTI	BCOM WTI Index	UCO:arcx *	USD	671	46.0	-155.0	-3.3	13.1	12.9
iShares Silver Trust	Spot Silver	SLV:arcx	USD	10,205	-126.9	-224.2	-2.5	-4.4	19.1
ProShares 2X Natural Gas	BCOM NatGas Index	BOIL:arcx *	USD	731	-306.0	-332.7	11.3	-83.6	-91.8
iShares Gold Trust	Spot Gold	IAU:arcx	USD	25,562	-1398.8	-2545.5	2.4	8.0	19.3
SPDR Gold Shares	Spot Gold	GLD:arcx	USD	54,543	-994.6	-3470.9	2.4	7.9	19.1

Source: Bloomberg, Saxo

* Publicly Traded Partnerships (PTP) only offered by Saxo as CFD's



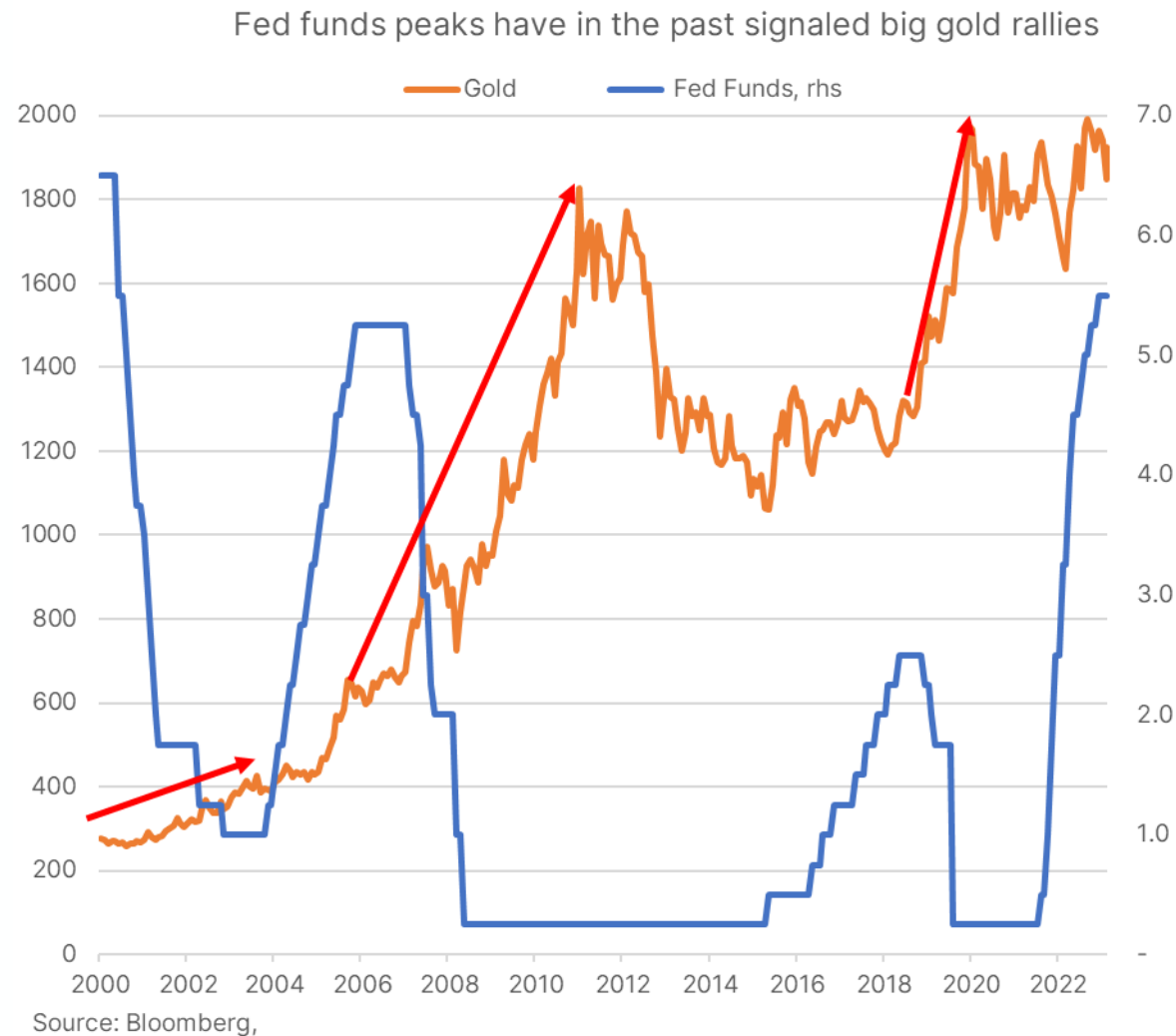
Normal gold drivers: Dollar, US yields and “paper” demand



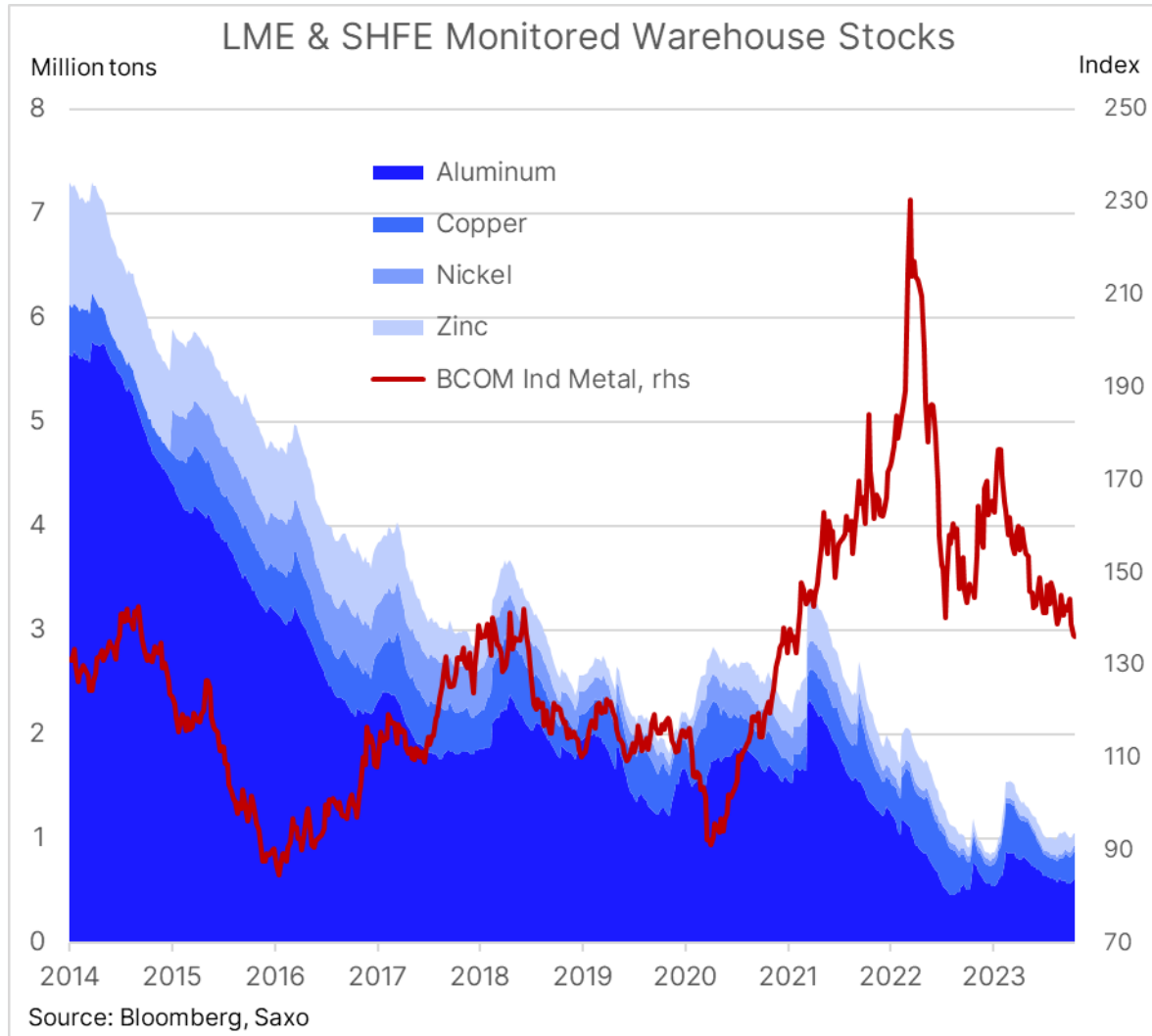
Gold supported by peak rates and something “breaking” hedge



Source: Saxo

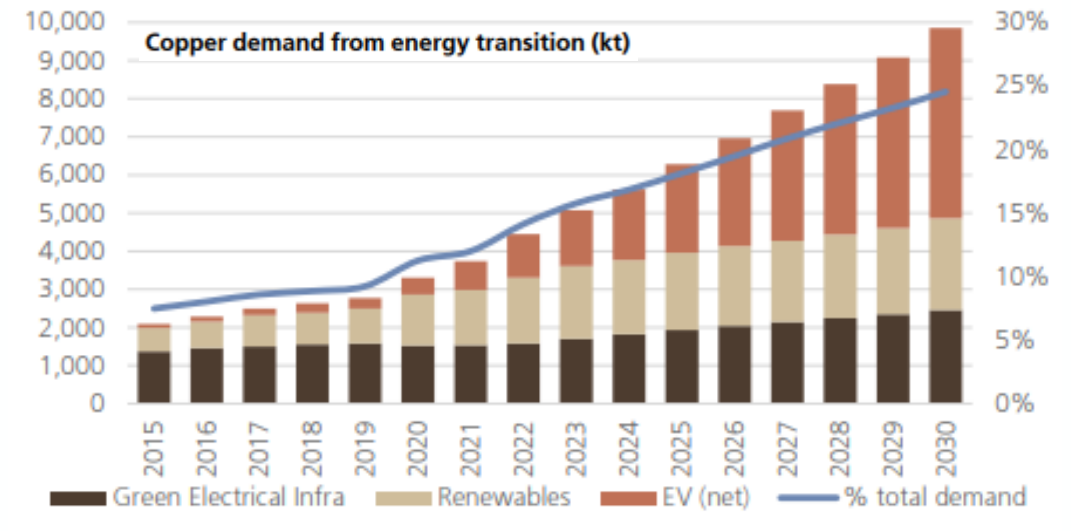


Industrial metals: Re-stocking, green transformation & stimulus

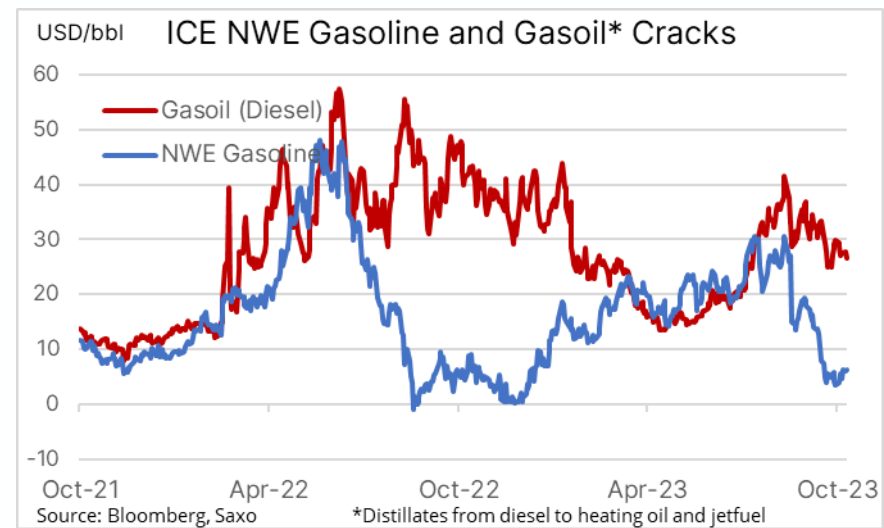
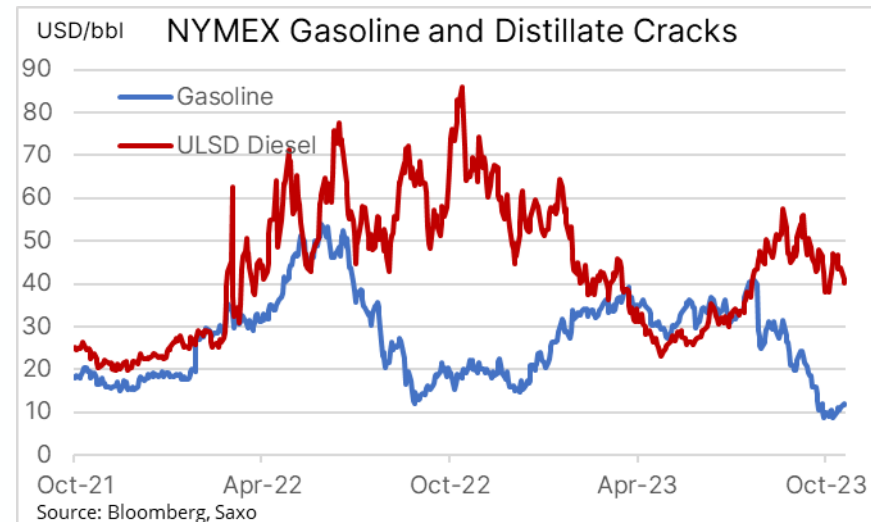
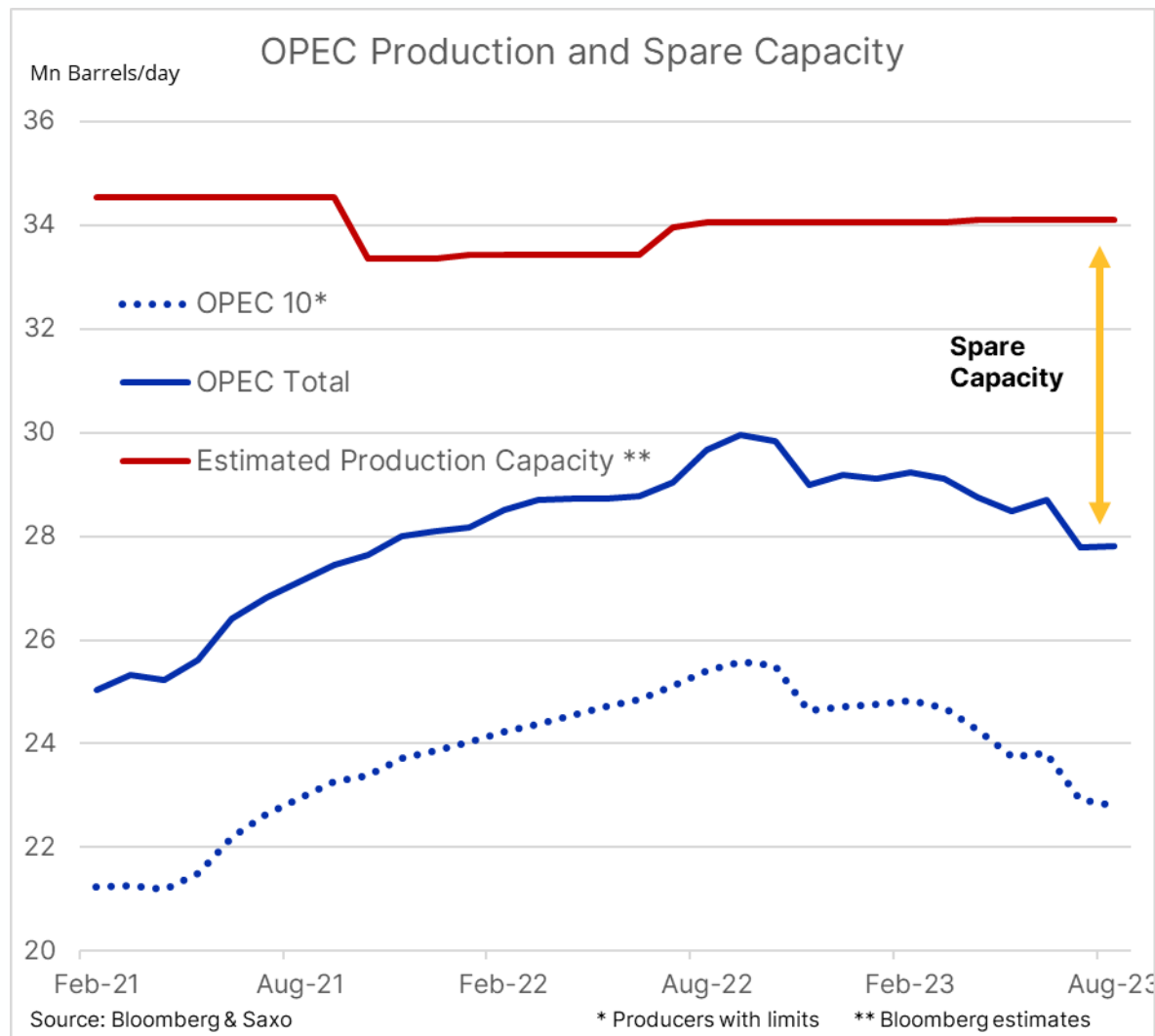


Miners are facing rising cash costs driven among others by:

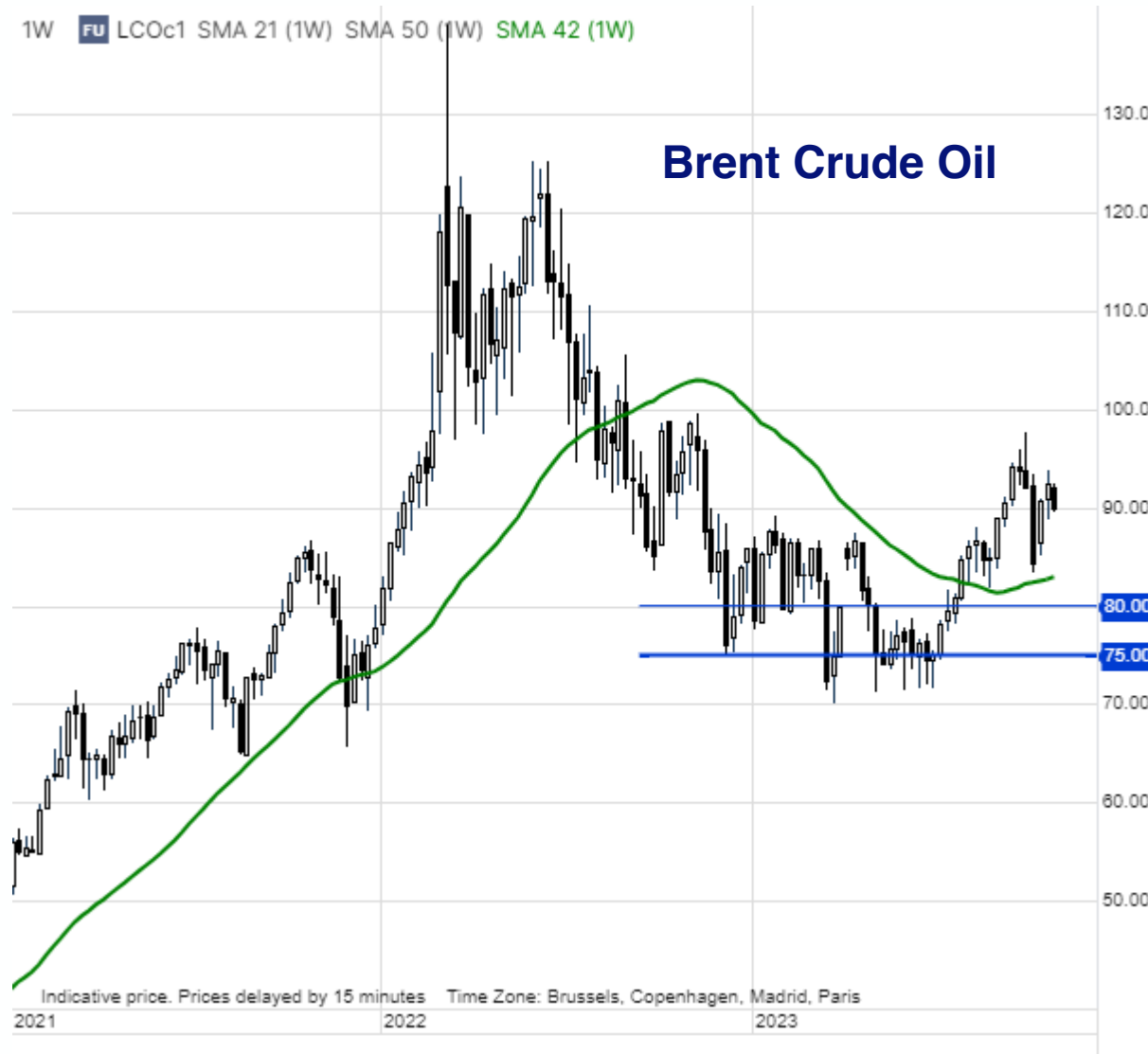
- Higher input prices (diesel, electric and labor)
- Lower ore grades
- Rising regulatory costs and government intervention
- Climate change: Disruptions from flooding to lack of water (A returning El Niño could trigger heavy rains in Chile, restricting access to mines)
- Copper prices are too low to make new investments (Freeport)



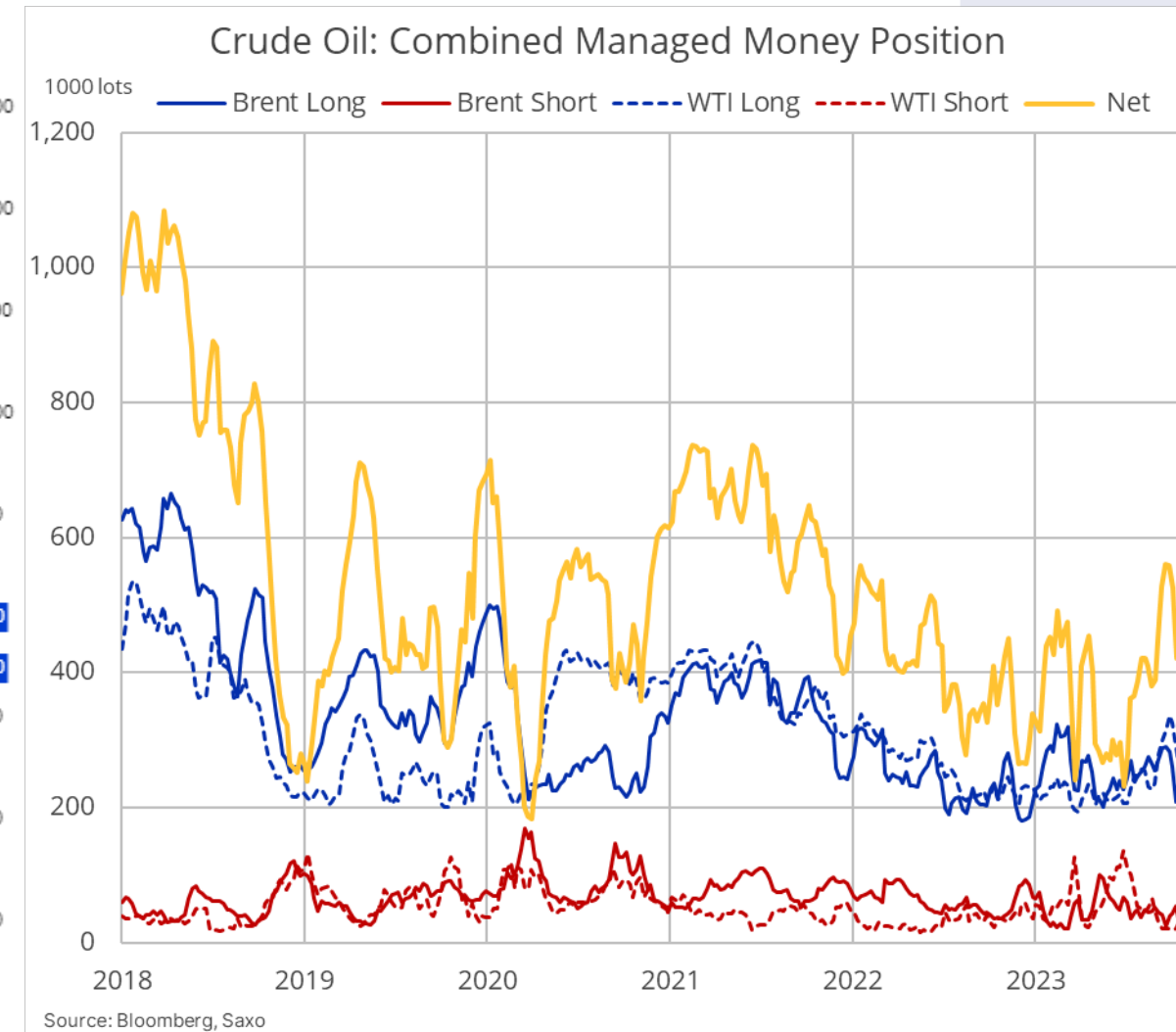
Crude oil: OPEC+ cuts => rising spare capacity => limited upside



OPEC+ will continue to defend a \$75-\$80 floor



Source: Saxo



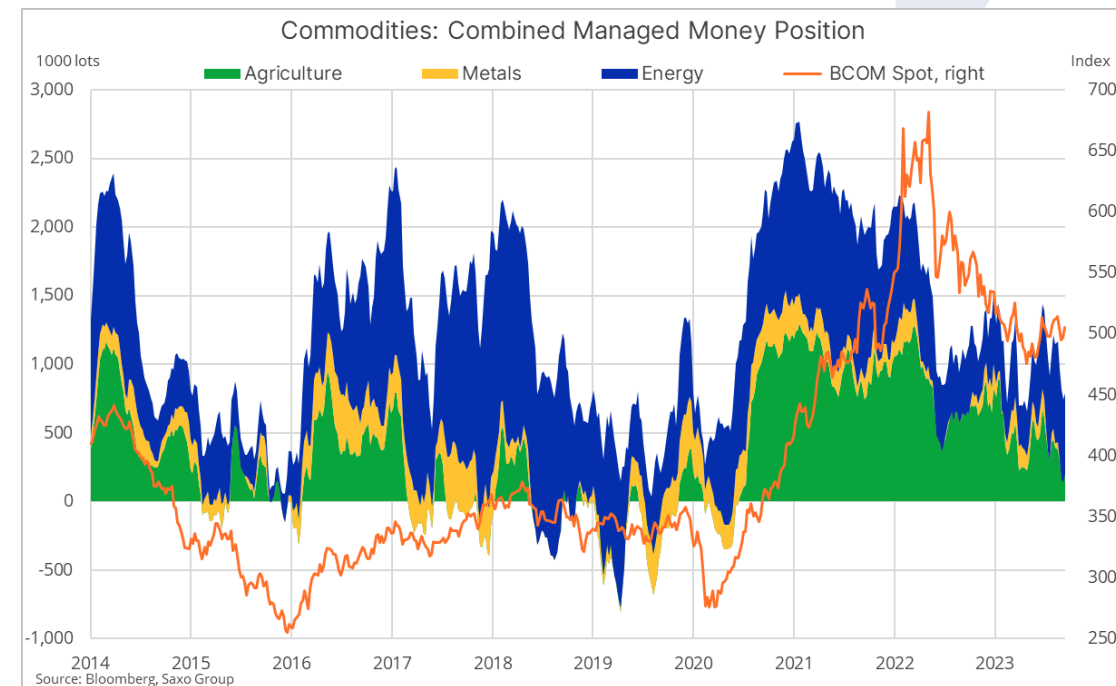
What is the Commitment of Traders Report ?

Week to Tuesday: 17-Oct-23	Leveraged Fund Positions							Trend
	Long	Change	Short	Change	Net	Change	Change Pct	
WTI Crude (CME)	253,635	-36,731	32,763	11,305	220,872	-48,036	-18%	
Brent Crude (ICE)	253,604	45,089	26,142	-29,199	227,462	74,288	48%	
Gas Oil (ICE)	59,365	950	33,271	6,838	26,094	-5,888	-18%	
RBOB Gasoline	53,422	-4,058	27,458	2,999	25,964	-7,057	-21%	
NY Harbor ULSD	51,141	4,695	14,492	491	36,649	4,204	13%	
NatGas (4 contr.)	235,204	-13,414	178,406	11,280	56,798	-24,694	-30%	
Gold	124,065	21,706	82,198	-34,949	41,867	56,655	-383%	
Silver	32,666	1,928	27,652	-7,165	5,014	9,093	-223%	
Platinum	31,575	1,086	43,158	348	-11,583	738	-6%	
Palladium	3,560	-211	14,555	345	-10,995	-556	5%	
HG Copper	55,164	856	76,717	17,293	-21,553	-16,437	321%	
Soybeans	70,287	3,867	72,271	8,017	-1,984	-4,150	-192%	
Soybean Meal	77,842	10,093	27,144	-8,546	50,698	18,639	58%	
Soybean Oil	56,587	-3,261	35,858	1,977	20,729	-5,238	-20%	
Corn	175,267	1,411	284,137	-2,410	-108,870	3,821	-3%	
Wheat (CBOT)	66,870	663	171,277	735	-104,407	-72	0%	
Wheat (KCBT)	39,814	502	66,765	1,583	-26,951	-1,081	4%	
Sugar	248,213	5,926	52,467	-447	195,746	6,373	3%	
Cocoa	94,177	6,296	32,963	-2,150	61,214	8,446	16%	
Coffee	35,410	2,665	53,495	-8,668	-18,085	11,333	-39%	
Cotton	50,626	-11,038	17,283	3,359	33,343	-14,397	-30%	
Live Cattle	95,013	-3,231	11,202	-780	83,811	-2,451	-3%	
Feeder Cattle	11,908	-536	5,392	300	6,516	-836	-11%	
Lean Hogs	37,973	-2,292	34,642	10,347	3,331	-12,639	-79%	
Total	2,213,388		1,421,708		791,680	50,058	7%	

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

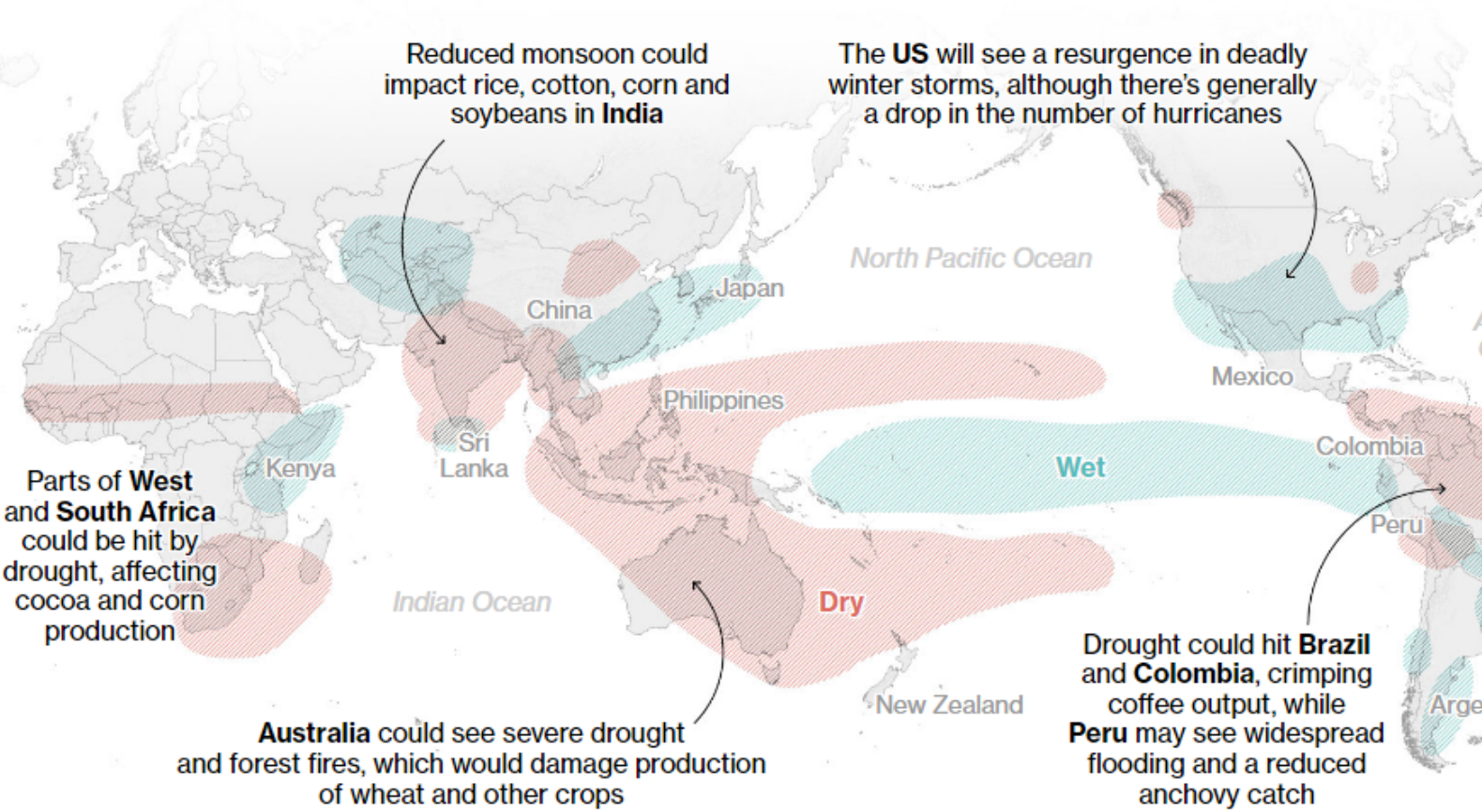


Agriculture: El Niño worries against northern hemisphere harvest pressure

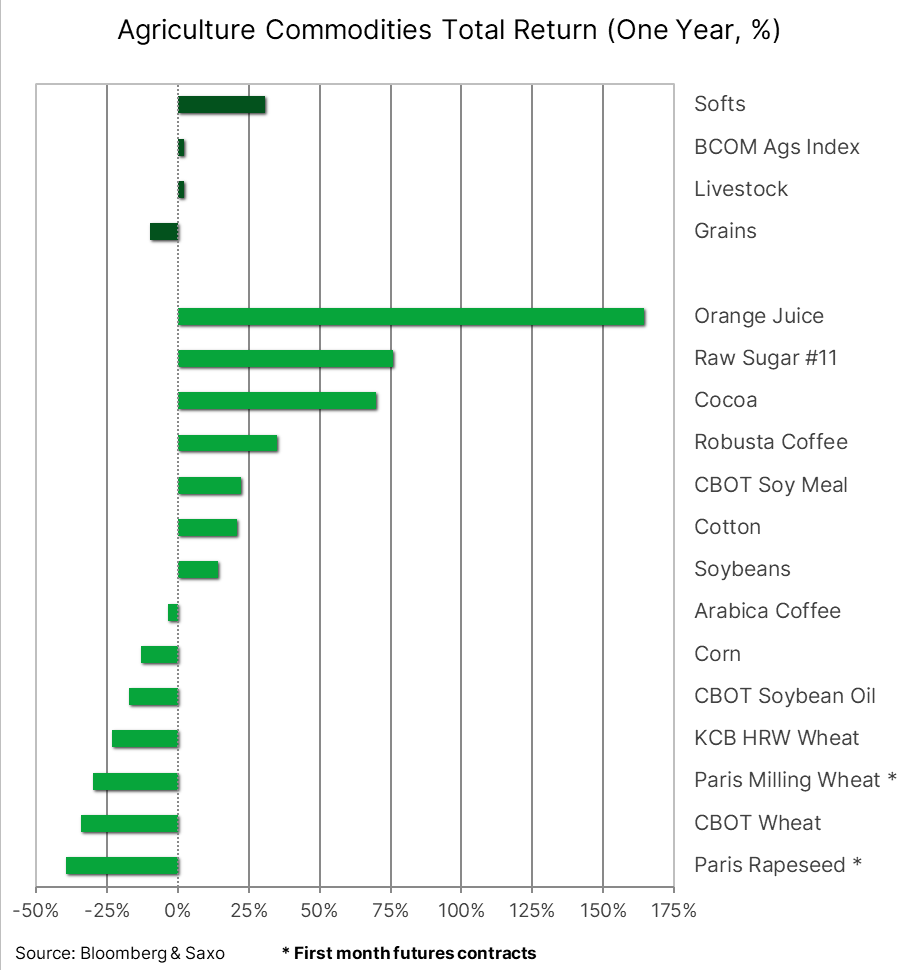
Expected Impacts of El Niño on Global Weather

The shift from La Niña will have profound impacts around the world

Drier Wetter



Source: Bloomberg



Saxo's equity theme basket

Saxo equity themes performance overview

Sorted on year-to-date return (updated as of 23 Oct 2023)

Theme	1D	1W	MTD	YTD	1Y	5Y
Semiconductors	-0.1	-4.7	-2.2	28.8	38.7	237.2
Cyber security	-0.9	-4.9	-3.2	22.5	14.2	124.1
Mega Caps	0.2	-3.4	-1.7	21.4	27.7	143.4
Defence	0.3	-2.5	1.2	16.8	31.3	88.9
Nuclear power	-0.4	-0.6	-5.8	15.8	24.1	153.2
Travel	1.0	-3.8	-7.0	10.5	18.6	2.8
MSCI World (USD)	-0.2	-3.4	-2.3	8.6	15.1	52.6
Construction	-0.1	-5.5	-6.8	7.3	25.5	83.6
Commodities	-1.6	-4.3	-4.3	5.2	15.0	100.8
Gaming	-0.3	-3.9	-5.3	4.2	24.0	74.4
Logistics	-0.3	-4.3	-5.3	2.4	15.2	123.5
Bubble stocks	-1.3	-7.8	-9.1	1.1	-7.1	107.4
E-commerce	0.2	-3.7	-6.7	-0.4	17.6	20.8
MSCI EM (USD)	-0.9	-3.0	-3.6	-1.9	8.9	10.3
Payments	-0.7	-3.5	-6.2	-3.5	-6.9	21.6
Luxury	0.9	-0.8	-6.0	-3.6	12.8	33.0
China consumer & technology	-0.2	-4.2	-5.5	-5.3	20.5	114.7
Transportation infrastructure	-0.6	-3.3	-4.4	-7.7	4.2	26.3
New biotech	-0.9	-6.5	-9.9	-22.4	-22.7	62.6
Green transformation	-3.6	-12.0	-21.7	-25.2	-32.1	109.2
Energy storage	-1.8		-12.5	-30.9	-35.4	286.1
Renewable energy	-0.4	-5.7	-8.1	-31.2	-21.2	196.8

Source: Bloomberg and Saxo

Saxo
TraderGO

TRADING **RESEARCH** PORTFOLIO

Q Instrument search

Overview Markets **Themes** Inspiration Webinars Education News Market Analysis Calendar Equities

Saxo investment themes

We've collected a wide variety of themes that may serve as inspiration for your next trade. The overall methodology is to find interesting and long-term themes and related companies that you are able to invest in on our platform. Most of our themes have been put together by our Head of Equity Strategy, Peter Garnry, and the themes are focused on geographical diversification with a balance between subcategories.

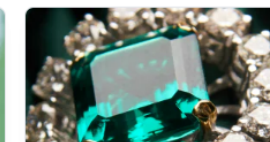
Popular **Saxo core themes** ESG Technology Demographics Consumer Infrastructure



Commodities



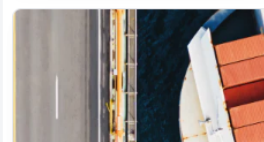
Women in Leadership



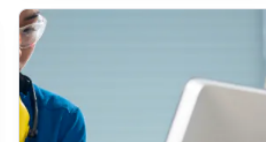
Luxury Goods



Asia Pacific Tourism



Transport Infrastructure



Construction



Energy storage



Green Transformation



Bubble Stocks



Mega Caps



E-commerce



Logistics



Renewable Energy



Defence



Nuclear Power



Cybersecurity

Source: Saxo TraderGO