

Monthly Commodity Outlook

18 April 2024

Commodity Views

Month in Review:

Commodity prices have traded higher over the past month with certain trends becoming more entrenched. Gains in precious metal, particularly gold and silver, have stood out as has the uptick in global oil prices. The rise in gold prices remains driven by prospects of monetary easing by major central banks, rising geopolitical tensions, and aggressive purchasing by central banks. Brent and WTI prices were impacted mainly by ongoing geopolitical tensions in the Middle East and with Russia-Ukraine. The situation remains balanced on a knife's edge and markets continue to price in a geopolitical risk premium. In the backdrop, supply conditions continue to tighten as the OPEC+ alliance extended cuts for the rest of 2024. Base metals prices, including for nickel, aluminium, and copper jumped on 15 April as the London Metal Exchange banned delivery of new Russian production following sanctions imposed by US and UK. Volatility in the prices of these metals could continue in the near-term as the market adjusts to the new conditions. Agriculture prices remain mixed, with coffee prices and palm oil prices rising but soya bean and wheat prices coming off.

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As of 12 April 2024, Brent oil prices rose 6.6% MoM and is anticipated to remain elevated due to Middle East jitters following an Iranian drone and missile attack on Israel on 14 April. Similarly, gold saw an 8.4% MoM increase in April. Heightened geopolitical risks should also add to gold's appeal as a hedge. That said, from a positioning and velocity point of view, we remain cautious of the risk of near-term retracement given the rapid rise in such a short time and stretched long gold. Additionally, industrial metals generally traded strongly, with aluminium, copper, lead, nickel, tin, and zinc all rising except for iron ore which declined more than 13% MoM. Lastly, in the agriculture complex, higher prices were observed in corn, soybeans, soybean oil, cocoa, coffee, palm oil, and rubber. Meanwhile, wheat, cotton, and sugar declined by 2.2%, 6.2%, and 2.1% MoM in April, compared to -5.6%, 12.4%, and -4.8% in March.



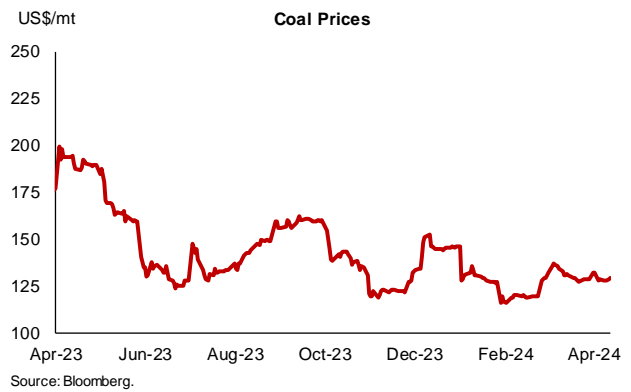
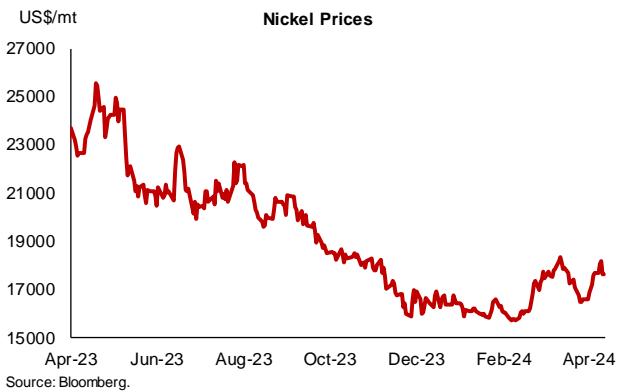
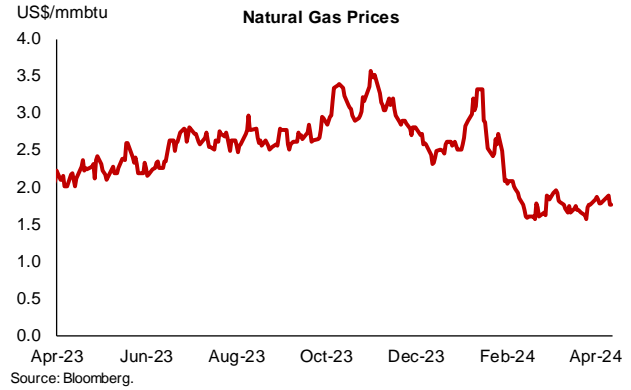
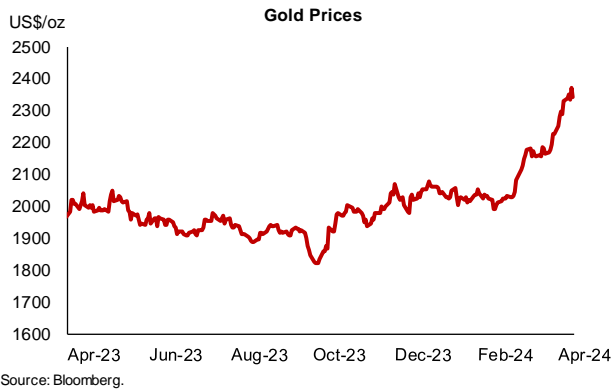
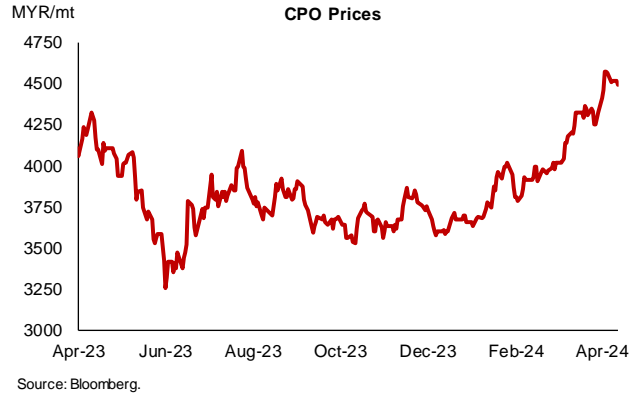
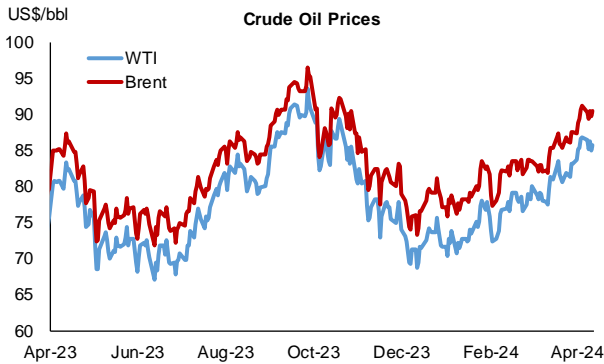
Note: London cocoa and NY cocoa rose by 42.8% MoM and 41.9% MoM in April versus 35.6% and 33.9% in March respectively. We have excluded them from the chart for alignment purposes.
 Note: Changes for one month ending 12 April is derived from the average closing prices between 13Mar to 12Apr and 13Feb to 12Mar.

Summary Views

Commodity	Latest Developments and Outlook	Charts																								
<p>Oil</p>	<p>Crude oil benchmarks reached multi-month highs in April. Month-to-date, as of 12 April, WTI and Brent oil prices have risen by over 3.0%. The bullish momentum was supported by growing geopolitical tensions in the Middle East, against a backdrop of tightening fundamentals. Technical indicators, such as time spreads (current month minus consecutive month) remain in a backwardation (i.e., current level higher than future level), which has widened since January 2024. This underscores a tight physical oil market, which is expected to tighten further as OPEC+ members extended their additional voluntary output cuts through June. Meanwhile, US crude oil inventories rose by 5.8mn bbls to 457.3mn bbls, for the week ending 05 April. Although crude oil inventories have built up for a third consecutive week, its levels are still lower than that that in 2023.</p> <p>We revise higher our forecast for WTI and Brent oil prices to average USD79/bbl and USD85/bbl in 2024 versus USD74/bbl and USD80/bbl previously. This partly reflects mark-to-market adjustments given that Brent and WTI prices have averaged ~USD83/barrel and USD78/barrel, as of 15 April. Importantly, the change underscores our view that global oil prices will move higher in 2Q24 and 3Q24, rather than lower under our previous baseline. Global oil prices will moderate slightly in 4Q24 as physical oil deficit narrows from moderating global demand.</p> <p>The change reflects three main considerations. First, geopolitical risks in the Middle East will remain elevated. Note that our baseline does not reflect a widening of the Israel-Hamas conflict into a broader regional conflict. If that were to happen, we expect Brent prices can touch USD120/barrel and remain at those levels until a clearer resolution is in sight (see Monthly Commodity Outlook, 15 October 2023). Second, the global oil market will continue to tighten due to the extension of OPEC+ cuts for the rest of 2024 leading to a physical deficit for the rest of the year compared to our previous baseline of modest surpluses. Third, our house forecast for US GDP growth forecast was revised higher to 1.5% from 1.0%, previously. Our analysis shows that global oil demand tends to be highly correlated to US economic growth reflecting greater demand-side resilience than we had previously accounted for.</p>																									
<p>Price forecast:</p> <table border="1" data-bbox="311 1787 1453 1895"> <thead> <tr> <th>USD/bbl</th> <th>12 Apr Close</th> <th>FC 2Q24</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>2023</th> <th>FC 2024</th> </tr> </thead> <tbody> <tr> <td>Brent</td> <td>90.5</td> <td>86.4 ↓</td> <td>88.2 ↑</td> <td>84.1 ↓</td> <td>81.5 ↓</td> <td>82.2</td> <td>85.1 ↑</td> </tr> <tr> <td>WTI</td> <td>85.7</td> <td>80.5 ↓</td> <td>82.5 ↑</td> <td>77.8 ↓</td> <td>74.6 ↓</td> <td>77.6</td> <td>79.4 ↑</td> </tr> </tbody> </table> <p><i>Note: Last Updated on 15 April 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 3Q24 average of USD88.2/bbl where ↑, ↓, and →, suggest higher, lower, and flat price from previous period, respectively. 2023 price is the average of daily closing prices. Source: EIA, IEA, OPEC, Bloomberg, Reuters, OCBC.</i></p>			USD/bbl	12 Apr Close	FC 2Q24	FC 3Q24	FC 4Q24	FC 1Q25	2023	FC 2024	Brent	90.5	86.4 ↓	88.2 ↑	84.1 ↓	81.5 ↓	82.2	85.1 ↑	WTI	85.7	80.5 ↓	82.5 ↑	77.8 ↓	74.6 ↓	77.6	79.4 ↑
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<p>Palm Oil</p>	<p>Crude palm oil price averaged rose by ~8.6% QoQ to MYR3,993 in 1Q24, and remains traded at elevated levels at MYR4,498 as of 12 April. This brings the year-to-date price average to MYR4,062/mt. The bullish price movement continues to demonstrate a stronger increase in demand while production levels remain subpar. However, we believe that CPO prices may be ripe for a pullback as demand is expected to fall following the end of festivities such as Ramadan. Additionally, CPO's discount compared to rival vegetable oils, such as soybean oil, continues to trend lower, further supporting our expectations of lower CPO prices.</p> <p>On data, the Malaysian Palm Oil Board (MPOB) data showed that CPO production rose 10.6% MoM to 1.4mn tonnes in March, falling short of the 11.9% growth expected by S&P Global Commodity Insights consensus. We note that the March print marks the first production growth since October 2023 and should signal the onset of higher production levels in the coming months. Meanwhile, palm oil exports rose 28.6% MoM, reaching 1.3mn tonnes in March, surpassing the consensus of 20.6%. Into April, a survey by cargo surveyor Intertek Testing Services indicated that Malaysia's exports are estimated to have risen by 12.7% MoM in the first 10 days of April leading up to the Eid celebration, reaching 431.2k tonnes.</p> <p>Looking ahead, we expect that CPO prices will ease from their current elevated levels into the fourth quarter of 2024. This is partly due to improving inventory following a normalization of demand after the Lunar New Year and Ramadan. Additionally, the abundant supply of soybeans from South America may keep soybean oil prices more competitive compared to CPO. With these factors in mind, our forecast for the average CPO price in 2024 remains at MYR 3,650 per metric ton. However, we remain cognisant of upside risks to CPO prices especially if production remains low as a follow through of the recent El Nino phenomenon.</p>	<p>Palm oil discounts over soybean oil is trending lower</p> <p>Malaysia CPO Production</p>																		
<p>Price forecast:</p> <table border="1" data-bbox="240 1630 1517 1697"> <thead> <tr> <th>MYR/mt</th> <th>12 Apr Close</th> <th>FC 2Q24</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>2023</th> <th>FC 2024</th> <th>FC 2025</th> </tr> </thead> <tbody> <tr> <td>Malaysia Palm Oil</td> <td>4,498</td> <td>3,945 ↓</td> <td>3,850 ↓</td> <td>3,807 ↓</td> <td>3,735 ↓</td> <td>3,812</td> <td>3,650 ↓</td> <td>3,500 ↓</td> </tr> </tbody> </table> <p><i>Note: Last Updated on 15 April 2024. Forecasts (FC) are weighted average for respective period and are based on Bloomberg consensus, except for FC 2024. Price arrows are compared to previous period, i.e., 1Q24 average of MYR3,993/mt where ↑, ↓, and →, suggest higher, lower, and flat price from previous period, respectively. 1Q24 and 2023 prices are average of daily closing prices. Source: MPOB, GAPKI, Intertek Testing Services, The Solvent Extractor's Association, CEIC and Bloomberg.</i></p>			MYR/mt	12 Apr Close	FC 2Q24	FC 3Q24	FC 4Q24	FC 1Q25	2023	FC 2024	FC 2025	Malaysia Palm Oil	4,498	3,945 ↓	3,850 ↓	3,807 ↓	3,735 ↓	3,812	3,650 ↓	3,500 ↓
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<p>Gold</p>	<p>While markets have pushed back the timeline of first Fed cut and reduced the quantum of rate cuts, the view that the next step is still a cut remains unchanged. Prospects of global monetary easing, central banks' sustained purchase of gold and geopolitical concerns remain the key drivers underpinning gold's bullish outlook. On monetary easing, it is not just the Fed, but other DM central banks including ECB, BoE, SNB and BoC that are expected to transition to an easing cycle. This synchronous easing should continue to boost the appeal of gold. On geopolitics, the situation in Middle east remains fragile even though Iran's attack on Israel was not successful over the weekend. Another attack is not ruled out while the follow-up response from Israel is also being closely monitored. Meantime, prices of LME metals such as aluminium, nickel, copper all jumped after US, UK decided to impose sanctions on Russian supplies. Heightened geopolitical risks should also add to gold's appeal as a hedge. That said, from a positioning and velocity point of view, we remain cautious of the risk of near-term retracement given the rapid rise in such a short time and stretched long gold.</p>																	
	<p>Price forecast (End-period):</p> <table border="1" data-bbox="316 1115 1453 1189"> <thead> <tr> <th>USD/oz</th> <th>12 Apr Close</th> <th>FC 2Q24</th> <th>FC 3Q24</th> <th>FC 4Q24</th> <th>FC 1Q25</th> <th>2023</th> <th>FC 2024</th> </tr> </thead> <tbody> <tr> <td>Gold</td> <td>2344</td> <td>2285 ↓</td> <td>2350 ↑</td> <td>2380 ↑</td> <td>2410 ↑</td> <td>2063</td> <td>2380 ↑</td> </tr> </tbody> </table> <p>Note: Last Updated on 15 April 2024. Forecasts (FC) are based on OCBC estimates. Price arrows are compared to previous period, i.e., 3Q24 (end-period) of USD2202/oz where ↑, ↓, and →, suggest higher, lower, and flat price from previous period, respectively. 2023 is the closing price for the last trading day of the year. Source: Bloomberg, OCBC.</p>		USD/oz	12 Apr Close	FC 2Q24	FC 3Q24	FC 4Q24	FC 1Q25	2023	FC 2024	Gold	2344	2285 ↓	2350 ↑	2380 ↑	2410 ↑	2063	2380 ↑
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	Level (as of 15 Apr 24)	Δ 1W (%)	Δ 1M (%)	Δ YTD (%)	Bloomberg Ticker
Gold (USD/oz)	2344.4	0.7	9.2	14.2	<i>XAU Curncy</i>
Silver (USD/oz)	27.9	1.3	12.0	18.6	<i>XAG Curncy</i>
US Dollar Index	106.0	1.7	2.4	4.6	<i>DXY Curncy</i>
Brent (USD/bbl)	90.5	-0.2	5.7	17.1	<i>CO1 Comdty</i>
WTI (USD/bbl)	85.7	-1.3	5.3	19.1	<i>CL1 Comdty</i>
Natural Gas (USD/MMBtu)	1.8	-4.7	6.2	-30.1	<i>NG1 Comdty</i>
Palm Oil (MYR/mt)	4498.0	-3.8	1.8	20.3	<i>KO1 Comdty</i>
Soybean Oil (USD/lb)	45.9	-3.5	-6.5	-3.4	<i>BO1 Comdty</i>
Rapeseed Oil (EUR/mt)	459.0	3.0	3.4	4.8	<i>IJ1 Comdty</i>
Copper (USD/lb)	425.9	0.4	4.3	10.3	<i>HG1 Comdty</i>
Nickel (USD/mt)	17629.6	-0.1	-3.9	7.3	<i>LN1 Comdty</i>
Aluminium (USD/mt)	2448.9	1.2	10.2	4.1	<i>LA1 Comdty</i>
Coal (USD/mt)	129.3	0.1	-1.1	-11.7	<i>XW1 Comdty</i>
Dry Baltic Index	1729.0	6.2	-27.2	-17.4	<i>BDIY Index</i>

Source: Bloomberg.

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