GLOBAL X INSIGHTS

Monthly Commodities Tracker

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Date: September 11, 2024
Topic: Commodities

This commentary covers the key takeaways for the listed commodities. Click the name of the sector to see the respective monthly chart pack.

Nuclear Energy and Uranium

While uranium's long-term price rose in August, a risk-off climate heightened apathy in the uranium spot and equities markets. The latest Kazatamprom report, seasonality, and the potential for U.S. utility purchases following waiver clarification may support the market after a quiet summer.

Over recent weeks, a risk-off environment amplified a general disinterest in the uranium spot and equities markets.[1] Also, rising uranium production numbers have caused some investors to question the sustainability of high uranium pricing in the long run.[2] Still, profits from uranium sales to utilities on long-term contracts mean that they are not directly connected to spot pricing.[3] Uranium's long-term price continued to increase, rising to $81/pound in August.[4] Bloomberg Intelligence predicts that producers will raise output to meet the growing demand from the nuclear power sector, potentially increasing sector earnings over the coming years, even if the spot price of uranium has declined.[5]

Against this backdrop, Kazatomprom, the world's leading uranium producer, reduced its 2025 production guidance due to sulfuric acid supply constraints. Kazatomprom expects 2025 production of 25,000 to 26,500 tonnes of uranium (TU), a reduction of around 17% from the prior range of 30,500 to 31,500 TU but still a 12% year-over-year increase.[6] The guidance downgrade strengthens the argument for a market deficit scenario in 2025, and the risk to production targets persists.[7]

After a quiet summer that hurt uranium equities, the latest Kazatomprom report could boost physical triuranium octoxide (U3O8) buying.[8] Uranium demand could also rise in September due to seasonality and waiver clarity around the U.S. ban on Russian-enriched uranium imports.[9] While looking longer term, a record number of permits (11) were granted to Chinese nuclear reactors spread across five sites, further demonstrating that government's reliance on nuclear power.[10]

Sentiment regarding nuclear energy continues to shift. Since 2018, Switzerland has prohibited the construction of new nuclear power plants, but now the Swiss government is seeking to lift this restriction.[11] Switzerland's goal to reach net-zero emissions by 2050 and questions about its energy security following Russia's invasion of Ukraine appear to overshadow safety concerns raised by the 2011 Fukushima accident in Japan.[12]

Switzerland's nuclear future debate mirrors Europe's. Some Eastern European governments have proposed new plants, whereas many Western European governments have delayed nuclear power phaseouts.[13] At the same time, investments in the sector continued to increase in the U.S., with the Tennessee Valley Authority granting an additional $150 million to support nuclear technology to meet the expanding population's increasing demand for power.[14]

Base Metals and Copper

The easing of supply risks in Chile, China's economic weakness, and uncertainty around U.S. elections have weighed on copper prices. Still, the positive impact of expected Federal Reserve interest rate cuts and the increasing demand from decarbonization efforts support the market's resilience.

A market selloff that weakened global equities in August aggravated the overall slump in base metals.[15] The unwinding of supply risks in Chile and a further slowdown in Chinese factory activity weighed on copper prices.[16,17]

After a long period of labor and wage talks, the copper-mining business in Chile is finally coming out on top, which means there are unlikely to be any more interruptions in a country that supplies 25% of the world's copper supply.[18] In the last few weeks, a mine run by Lundin Mining Corp. returned to work after a 300-person strike.[19] After three days of strike action, the central union at the massive Escondida mine operated by BHP Group signed a labor agreement.[20] Antofagasta Plc wrapped up its wage negotiations for the year with an early agreement with the main union at its Centinela facility.[21] Moreover, Codelco, the biggest copper supplier in the world, produced more metal in July and August than in the same period last year.[22] Due to problems at its mines and projects, Codelco's output fell to its lowest level in 25 years last year, while this year, the company is aiming to raise its production slightly.[23]

China's remaining development drivers are exhibiting symptoms of faltering, while the real estate sector continues to impede economic progress.[24] Manufacturing activity declined for the fourth-consecutive month in August, while the most recent sales data indicated a deteriorating residential downturn.[25,26] China's real estate market continues to be a burden, despite numerous policy interventions implemented by Beijing during the year.[27] Still, Chinese copper exports declined from a record peak, an apparent attempt by domestic purchasers to capitalize on the metal's swift price decline.[28] Exports of unwrought copper and its products decreased 40% from June;

this, in addition to the third monthly drawdown in Shanghai Futures Exchange (SHFE) inventories, bolsters hopes for a rebound in Chinese demand.[29]

Meanwhile, copper inventories in the U.S. registered the biggest monthly surge in more than twenty years, with Comex futures contracts jumping more than 25,000 short tons in August.[30] Indeed, a cautious approach is observed regarding the base metals complex in anticipation of the U.S. Presidential election in early November, since the related uncertainty is expected to dampen risk appetites. In late Q4, however, expected Federal Reserve interest rate cuts, potential additional policy easing in China, and a likely improvement in global industrial confidence might be more favorable for metals. During the Jackson Hole Economic Symposium, Federal Reserve Chairman Powell stated that the "time has come" to transition to monetary easing and expressed his determination to avert additional deterioration in the U.S. labor market.[31] Against this backdrop, the copper structural catalysts associated with decarbonization should continue to support the robustness of global copper consumption and provide a pricing floor. Indeed, increasing new energy vehicle sales appear to have bolstered copper use in China, notwithstanding the slump in the property industry.[32]

Gold and Silver

Federal Reserve Chairman Jerome Powell's recent speech at Jackson Hole, in which he discussed implementing rate cuts, marked a significant turning point. The market's stance now appears more dovish, which could be a robust catalyst for the precious metals market.

Gold reached another record high in August, as prospects of a first Fed interest rate cut pushed down the U.S. dollar and Treasury yields.[33] In his Jackson Hole address, Powell stated his goal to stop the U.S. labor market from cooling further, indicating that the "time has come" to switch to monetary easing.[34] As markets expect the Fed to lower rates in September and a systemically important U.S. election in early November, it appears that precious metals are perceived as a hedge against immediate event risks and a beneficiary of decreasing interest rates. Throughout the three rate-cut cycles since 2000, when the Federal Reserve cut interest rates, the gold spot price increased 15% on average.[35]

After a mixed U.S. jobs report, the markets are still expecting that the Fed will reduce interest rates by at least 25 basis points at its next meeting in September.[36] In August, the U.S. economy added fewer jobs than anticipated, and there were large downward revisions to June and July numbers. However, as expected, the jobless rate dropped to 4.2%, while pay growth accelerated to 0.4% from the predicted 0.3%.[37]

On the flip side, there appears to be a September curse on precious metals. Since 2017, the value of gold has declined by an average of 3.2% every September.[38] While experts have yet to pinpoint an exact cause for this periodicity, they have speculated that it could be because investors buy gold to derisk their portfolios during the summer holidays and then sell it back in late August or early September.[39]

From a fundamental perspective China's weak gold demand continues to be compensated by strength in India. Chinese gold imports fell 24%, to the lowest in more than two years, while India's considerable drop in import duties on gold boosted gold demand in the country.[40,41] Imports into Gujarat, a key export hub for gems and jewelry, increased 429% year over year in August.[42]

Oil and Gas

Unsurprisingly, OPEC+ has delayed oil output increases amid poor economic indicators in China and the U.S. Yet, even if OPEC+ limits production throughout 2025, a surplus may still arise.

Oil markets appear well supplied, and recent uneven economic data bolster the soft-demand narrative.[43] With prices falling precipitously recently due to adverse economic indicators from leading crude consumers China and the U.S., it is unsurprising that OPEC+ has decided to postpone an increase in oil production by two months.[44] Unwinding 2.2 million barrels a day of voluntary cuts from October would most likely have kept the market in surplus in the fourth quarter.[45] However, in all probability, the coalition didn't take this decision lightly: even if the alliance attempts to support prices by preventing a market surplus, it continues to lose market share with this move.

In the short term, while falling U.S. crude inventories could also support oil prices, the unwinding of Libyan supply risks, to a certain extent, could continue to weigh on them.[46] Libya might double its crude output back to around one million barrels a day with a political settlement that appoints a new central bank governor.[47] Due to political standoff, Libyan production dropped to under 600,000 barrels a day on August 28th from nearly 1 million, while on September 3rd, Libya's parliamentary chambers agreed to choose a new central bank governor within 30 days after UN-sponsored talks.[48]

Looking longer term, even if OPEC+ continues to constrain production throughout 2025, a surplus might still emerge amid subdued demand growth and burgeoning output from the U.S., Guyana, Brazil, and Canada.[49] On the supply side, in the U.S., the oil industry is demonstrating resilience as it cuts costs and adopts best practices, leading to a rise in oil well productivity.[50] On the demand side, more domestic drilling, decarbonization, and the end of infrastructure-led growth are hurting oil consumption in China.[51] In the first seven months of 2024, China imported 2.4% less oil than last year. That's the first time it has happened in data, excluding COVID-19.[52]

On the gas side, in the U.S., prices have been pressured by oversupply concerns. Still, the U.S. Energy Information Administration (EIA) reported 13 billion cubic feet of natural gas added to U.S. storage, below seasonal averages and less than half of market forecasts.[53] In Europe, supply disruptions continue: recent maintenance cut Norwegian gas nominations by 10 million cubic meters per day, affecting Franpipe, Emden, and Dornum, but gas storage is still at 92% capacity, two months ahead of the EU's November objective.[54]

Critical Minerals, Battery Tech, and Lithium

Low lithium prices are limiting production growth due to concerns about a surplus of the battery metal. Still, cheaper electric vehicles (EVs) are expected to drive demand, as technological developments may increase adoption.

While the U.S. may use federal subsidies to assist domestic mineral development, lithium oversupply concerns remained high among market participants.[55] According to the Chilean government agency Cochilco, global lithium production will surpass demand by 117,000 tonnes this year and 191,000 tonnes next year.[56] However, any slowdowns, cancellations of new lithium projects, or an acceleration in EV sales could bring the market closer to balance.

The industry is facing significant challenges, due to the impact of low and uncertain prices on lithium producers. This has led to a slowdown in production and expansion. For instance, poor earnings forced Pilbara Minerals to abandon plans to double lithium output in 2024.[57] Zijin Mining Group Co., China's top miner and potential lithium behemoth, is set to miss its output target for the battery material this year.[58] By mid-2025, Arcadium Lithium Plc, the world's third-largest battery metal manufacturer, will place its Mt. Cattlin mine in Western Australia into maintenance.[59]

In the upcoming quarters, the introduction of cheaper EV models is expected to drive demand in major EV markets, including the U.S. and Europe.[60] Despite some manufacturers scaling back their electrification goals, the focus on developing next-gen EV batteries and technology remains. These technological advancements have the potential to significantly increase EV adoption and benefit firms in the EV battery value chain. For instance, Ford is working on new battery EV cars using its affordable electric vehicle platform, with the first affordable mid-sized electric vehicle on the next-gen platform projected to launch in 2027.[61]

Footnotes

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Glossary

Triuranium Octoxide: A compound of uranium, represented by the chemical formula U3O8. It is one of the most stable forms of uranium oxide and is a key material in the nuclear fuel cycle.
