

Tracking the trends in commodity prices



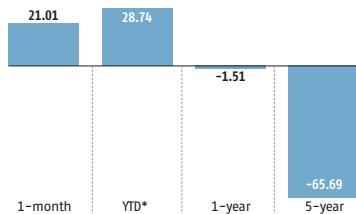
THE COMMODITIES universe, which has suffered from a lengthy decline in values, was rocked over the past month by a sharp revival in some prices – particularly iron ore, the price of which rose sharply over the past month after declining substantially for years, as Table 1 shows. This was driven by optimism about increased demand from China, but the numbers complicate that analysis. As Table 2 shows, there is no broad-based revival in Chinese manufacturing demand if electricity consumption growth is to be taken as an indicator. Chinese exports are also slumping, as Table 3 shows – India's are as well, as are commodity exporter Brazil's, though India's peer countries like Malaysia are not doing so badly. Overall, the Baltic Dry Index in Table 4, an indicator of world trade, does not necessarily indicate a resumption of high-demand conditions. Yet many metals have trended upwards in the year-to-date, as Table 5 shows.

Oil prices, too, have begun seeing a revival, as Table 6 shows; the prices have broken \$40 a barrel for the first time in a while. But there is likely to be a cap on oil prices, driven by the possibility that growth in shale gas production might resume – as Table 7 shows, a steep increase in shale gas production has plateaued in the period oil has been cheap. It is also worth noting that coal, in Table 8, is cheaper – but the reduction in coal price, too, has plateaued.

1: IRON ORE ROSE SHARPLY OVER THE PAST MONTH

Change in price of China's iron ore

(% change)

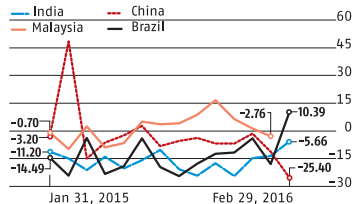


*YTD stands for calendar year-to-date

3: CHINA'S EXPORTS ARE SLUMPING, AS ARE INDIA'S

Change in exports

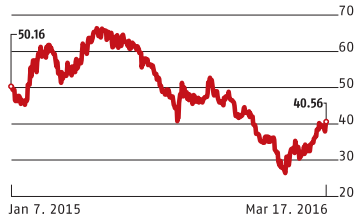
(y-o-y in %)



6: ...WHILE OIL PRICES, TOO, HAVE SEEN A REVIVAL

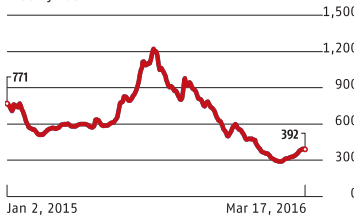
Brent crude oil

(\$/bbl)



4: SHIPPING RATES DON'T SHOW RESUMPTION OF DEMAND

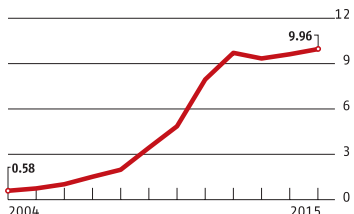
Baltic Dry Index



7: GROWTH IN SHALE GAS PRODUCTION HAS PLATEAUED

Shale gas production in the US from 1999 to 2015

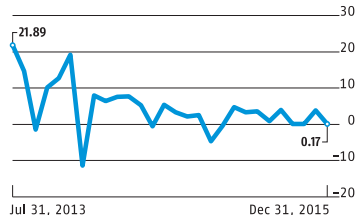
(in trn cu ft)



2: CONSUMPTION DOESN'T SHOW MANUFACTURING REVIVAL

Electricity production in China

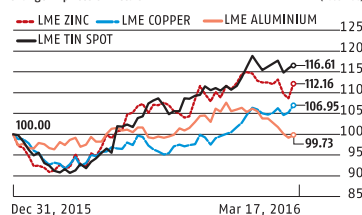
(y-o-y in %)



5: PRICES OF MANY METALS TRENDING UPWARDS...

Change in prices of metals

(Base=100)



8: COAL CHEAPER, BUT FALL IN PRICE HAS PLATEAUED

Price of coal FOB Richards Bay

(\$/tonne)

