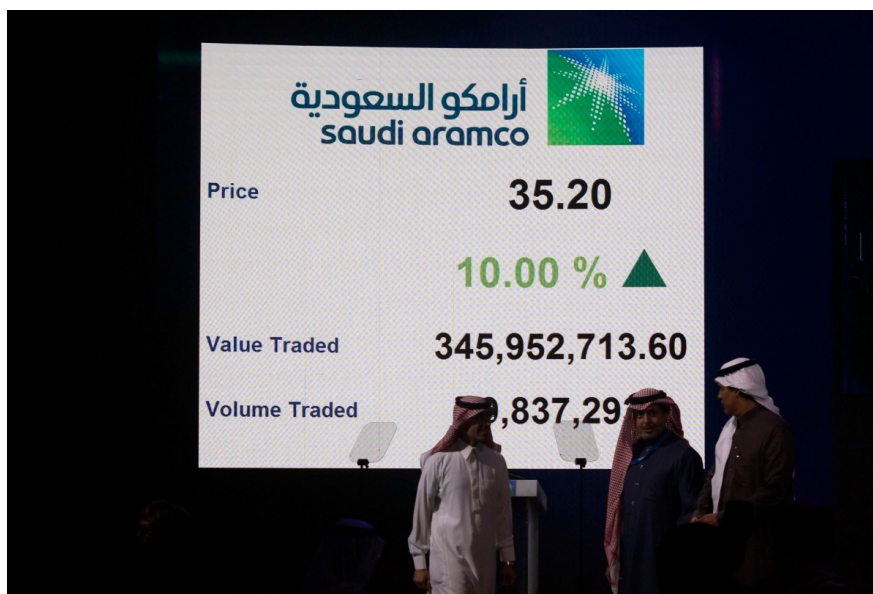


Our three calls for commodities in 2022

Commodity prices should moderate in 2022 after an extraordinary year for markets; the post-pandemic recovery and numerous supply issues boosted prices. We now think we'll see better supply and demand balances



People walk past a screen displaying company details of Saudi Arabia's state-owned oil firm Aramco in Riyadh

Supply to improve in 2022

Commodities, in general, are on course for their best annual performance in twenty years, mainly driven by energy markets. Cautious OPEC+ policies have supported oil prices; low gas supplies coupled with reduced Russian flows suggest prices will remain supported here in the coming months. But change is coming. Supply in many commodities is increasing and any economic slowdown, Covid-related or not, will weigh on prices. A higher US dollar and more tightening in monetary policy will also play a part.

Here are our three calls for commodities in 2022:

1 Oil market to return to surplus

We believe that we'll see oil prices easing in 2022 from the high levels that we've become used to this year. Our expectation is that strong non-OPEC supply growth combined with a further easing in OPEC+ supply cuts will tip the global oil market back into surplus next year. Our view is that the market returns to building inventories as soon as the first quarter after significant drawdowns

through 2021. As a result, we see ICE Brent averaging \$76/bbl over the full year of 2022. The Omicron variant is a clear downside risk.

2 European gas tightness to persist

Concerns over low gas storage levels in Europe have not eased and this is likely to be a concern through the winter, as heating demand only grows. These worries over tightness should mean that prices remain elevated, yet volatile for the remainder of this year and into early next year.

We expect that European gas prices will start to ease once we are past the peak of winter demand, although given that Europe could finish winter with historically low inventories, we still believe that prices will remain seasonally high over much of 2022.

3 Aluminium to stand out in metals

Most metal markets should be better supplied in 2022 which suggests that prices will trend lower. Monetary tightening and a stronger US dollar should provide some further headwinds. However, aluminium is likely to be the outlier. The aluminium market is moving into a structural deficit, given the lack of investment in smelting capacity. While we will see some smelters bringing back capacity over the course of 2022, it will not be enough to alleviate the tightness in the market. As a result, we expect prices to average close to US\$3,000/t in 2022.

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