| Global Research | 27 April 2015

Commodity Roadmap

- **Focus: No V-shaped recovery is likely for US oil output**
- **Turn in macro trends triggers short-covering rally across base metals but fundamentals remain soft**
- **Brent crude oil prices have pushed above USD 65/bbl for the first time in 2015 as sentiment brightens**

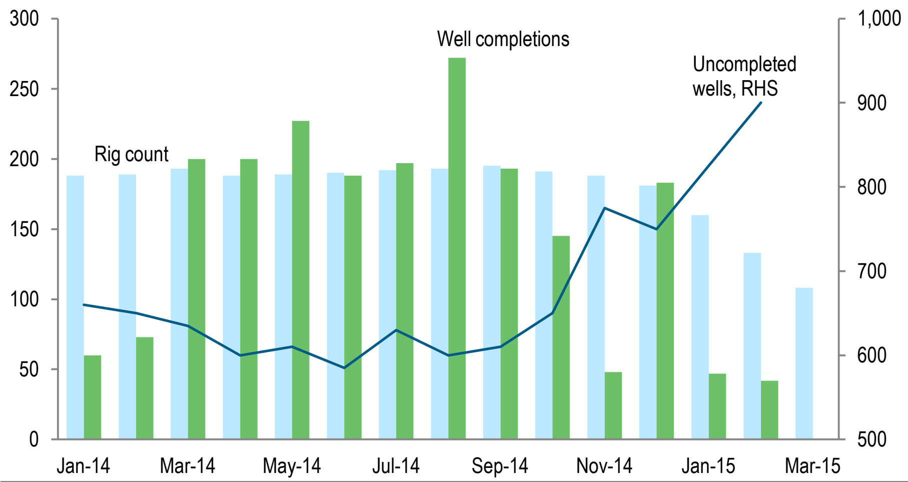
Focus: A long road to recovery for the US oil industry

The weekly Energy Information Administration (EIA) data provides further evidence that US oil production has begun to fall. The data has shown a decline in three of the past four weeks, leaving US crude output at 9.366 million barrels per day (mb/d), 56 thousand barrels per day (kb/d) lower than the peak reached on 20 March. The rig count in the four main US shale oil regions has fallen for 21 weeks, and at 501 it is 583 rigs lower y/y. State data points to an earlier, faster onset of the decline: e.g., North Dakota indicates that the fall began in January, and its latest estimate of output is lower than it was in September 2014. In our view there is no doubt that US output is falling, and that the pace of decline is likely to accelerate in coming months.

A common assumption is that once prices are high enough, the US oil industry can recover very quickly in a V-shaped pattern. We think this is unlikely. Well completions in North Dakota are now less than one-sixth of the August 2014 peak (Figure 1), and drilling activity is 60% lower than in October 2014. The number of uncompleted wells in the state has risen from the normal 650 to 900 currently. Large numbers of workers have left the shale oil regions, and it may be difficult to tempt them back quickly. Fracking companies have lost staff or gone out of business, and other oil-service companies have made tens of thousands of workers redundant. Those jobs and skills will not quickly return. A higher inventory of uncompleted wells is of little use if there are not enough crews left to complete them quickly. To stabilise output even at lower levels, the rig count in US shale oil needs to rise by 200. This is unlikely to happen this year in our view, with the industry taking at least 18 months to re gain its former vigour, even if prices were to rise sharply in coming months.

Figure 1: A sharp fall in oil activity in North Dakota

Rig counts and number of wells



Source: North Dakota Industrial Commission, Standard Chartered Research

Contents

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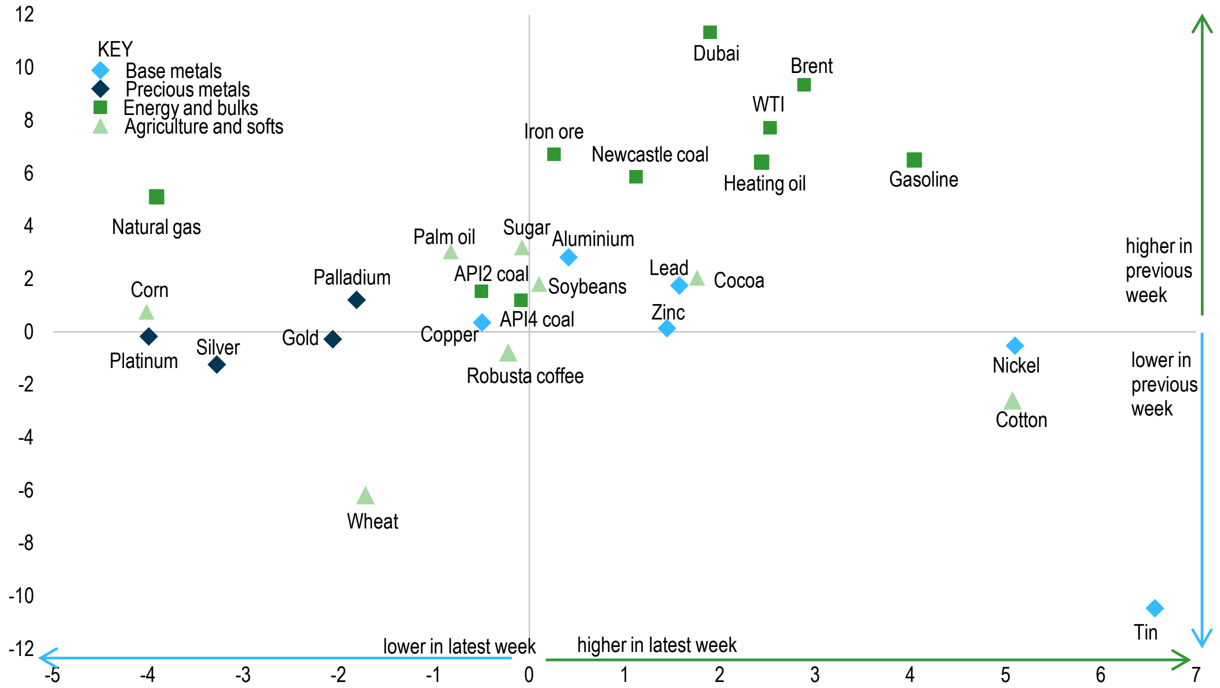
Commodity price performance

Figure 2: Changes in commodity prices in latest week and previous week

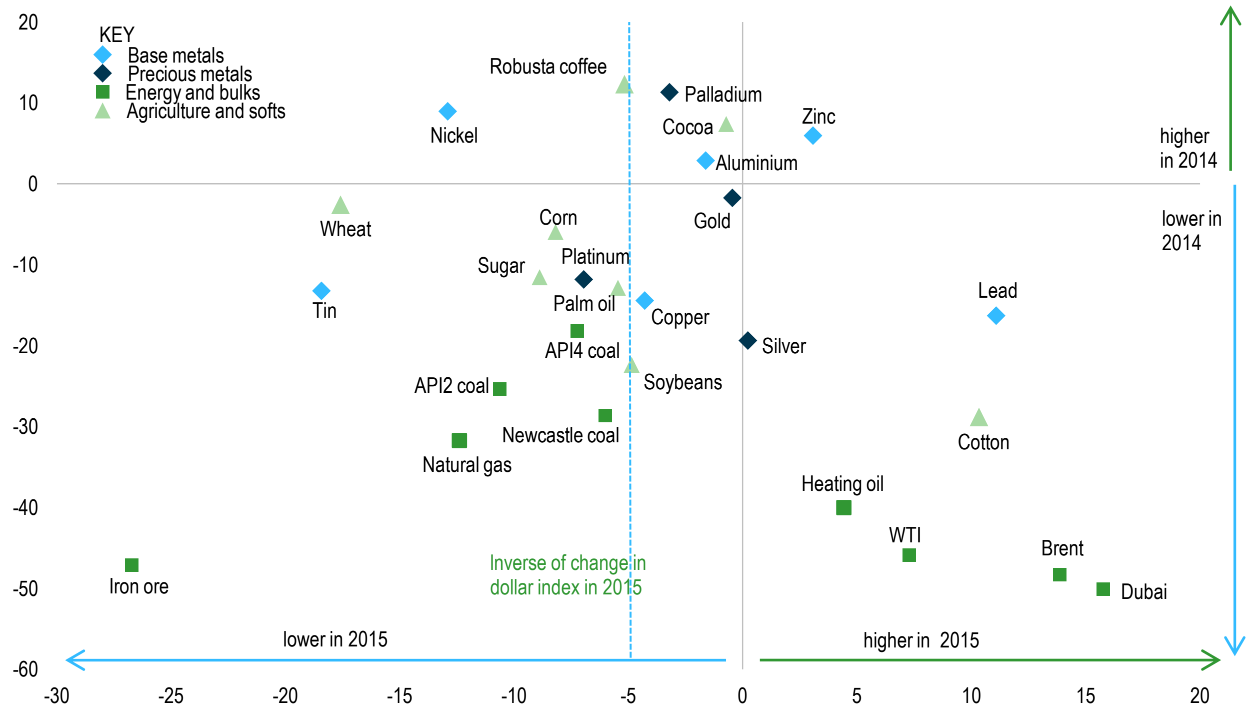
%



Source: Standard Chartered Research

Figure 3: Changes in commodity prices in 2015 to date and 2014

%



Source: Standard Chartered Research

Our views

Base metals

Positive macro developments trigger a short-covering burst but soft fundamentals are likely to temper the sustainability of price moves in Q2

Following weakening price trends in Q1-2015, the base metals complex has found a firmer footing so far in Q2. While there has been no obvious significant tightening in supply-demand conditions, the more alarmist scenarios posited about China's demand at the beginning of the year have not transpired; this has tempered bearishness towards the complex. The case for calling a bottom to the price cycle has gained credence given a reversal in macro-level momentum, not least from more aggressive China policy action, a rebound in oil prices and a more contained US dollar (USD) strengthening trend. The problem remains, however, that at current price levels many refined metals markets remain in surplus and until better demand conditions transpire, supply-rationing pressures are likely to be insufficient to rebalance fundamentals in the current quarter. Short-covering dynamics may support prices higher in the near term; however, we ultimately see a constrained environment for sustained price upside over the rest of Q2 before greater convergence of micro and macro trends generates clearer upside support in the second half of 2015.

Nickel benefits most from the short-covering move but fundamental conditions do not yet justify a sustained move higher

Nickel has had the shortest net investor positioning of all the base metals, as reflected in net money manager positioning on the LME (see Figure 15). Unsurprisingly then, nickel prices have rallied by close to 10% from their mid-April lows as this broad short covering rally has played out. News that a combination of equipment failure and a labour strike has cut production at the 45 thousand tonnes per annum (ktpa) Cerro Matoso ferronickel facility in Colombia has also had some tightening effect on fundamental expectations. It was, however, reported over the weekend that a strike at the 60ktpa Ambatovy refined nickel facility has now ended. In the context of current nickel market dynamics, the potential maximum loss of 4kt of nickel per month from the disruption at Cerro Matoso cannot be viewed as a significant disruption volume. The International Nickel Study Group reported earlier this month that the global nickel market was in a 25kt surplus in January-February this year. LME stock levels have risen modestly since then (+6kt) and China's net refined imports in March were the lowest since December last year.

Pressure on China's stainless steel export channel from anti-dumping duties in key destination markets is a headwind to a revival of domestic stainless production in 2015

Conditions in China's stainless steel sector remain soft, with domestic prices at their lowest level since 2007. China's stainless steel exports have weakened so far in 2015, down 6% y/y in Q1. This reflects the impact of anti-dumping duties imposed on China's stainless steel exports in a number of destination markets. Stainless export volumes have expanded over recent years to now represent close to 15% of domestic stainless steel production. Therefore the weakening trend in export flows represents a clear headwind to the degree to which China's stainless steel production levels rebound, even if domestic demand conditions eventually improve.

Adjustment to LME LILO decay factor will accelerate queue decline if impacted warehouses choose to take in metal deliveries

The LME announced this morning that it is planning to increase the decay factor applied to calculate the additional load-out requirements for warehouses with queues exceeding 50 days. The decay factor will increase to 1.0 from 0.5 from August 2015. Under the linked load-in/load-out (LILO) rules, impacted warehouses will have to load-out a minimum of 3kt per day of metal and then a proportion of any metal loaded-in (determined by the decay factor). The increase in the decay factor means that a load-in of 3kt would result in the warehouse having to load out 6kt (3kt mandated plus 1 x 3kt) in the subsequent application quarterly period. Delivery queues will subsequently decline at a faster pace than would otherwise be the case if impacted warehouses choose to accept deliveries of metal and not balance those deliveries in with counterbalancing deliveries out in that calculation period.

Falling premiums and tight LME time spreads are driving re-warrantings and supporting the impact of LILO rules in reducing LME delivery queue levels

What does the LME's announcement mean for the aluminium market? We believe the announcement was expected by the market given there was a brief consultation period with stakeholders. Ultimately, if the impacted LME warehouses (Detroit, Vlissingen) do not choose to take load-ins of aluminium then the increase in decay factor will not impact the time it takes for metal in the queue to be released, as the minimum 3kt per day load-out level remains in place. It is likely to make impacted warehouses less inclined to accept metal deliveries. Either way, current trends in the aluminium physical market are already generating a trend of re-warranting and reinforcing the removal of metal from delivery queues. This trend is most obvious in Vlissingen, where cancelled warrant levels have fallen close to 320kt year-to-date but only 240kt has been loaded-out. This suggests that the environment of tight LME aluminium front-end time spreads and continued sharp falls in physical premiums has generated an economic disincentive to release aluminium from LME warehouses to sell into the spot market. There is also the eventual possibility of deliveries of aluminium into LME warehouses if current dynamics remain in place.

Energy

Oil-market sentiment continues to become more positive

Brent settled above USD 65/bbl on 24 April, for the first time since 9 December 2014. Prices are now more than USD 20/bbl higher than the low reached in mid-January, but are still USD 14/bbl lower than at the time of the last OPEC meeting in November 2014. Market sentiment has, in our view, turned noticeably more bullish over the past two weeks, and our money-manager positioning indicator (Figure 6) has just become very slightly positive. We believe that the shift in sentiment has hinged on both a more optimistic view of demand, and also a far more downbeat view of non-OPEC supply in general, with the totemic event being the start of oil output falls in the US.

The speed with which the market returns to pre-OPEC meeting oil price levels is likely to hinge on Saudi Arabia and the outcome of the next OPEC meeting (set for 5 June). Statements from oil industry and government officials in Saudi Arabia have been accentuating the positive over the past two weeks. It now appears that Saudi Arabia did not have any difficulty in passing on extra oil to its customers when its output increased last month to above 10mb/d. In particular, most customers did not receive their full nominations, with the actual volumes lifted being constrained under the tolerance clauses of the term contracts. In other words, not only was there a market for the additional supply, but Saudi Arabia would have produced even more had it fully met all nominated volumes.

Saudi Arabia's policy makers are likely to be content with the current market dynamic

With demand seemingly very strong (with the value of the OPEC basket above USD 60/bbl for the first time this year) and US oil output going into reverse faster than consensus had expected, in our view Saudi Arabia's policy makers are likely to be pleased with the extent of oil-market rebalancing so far this year. We believe that Saudi Arabia would be open to discussions of a multilateral output-cut deal over the next six weeks, particularly if it involved Russia. However, Saudi Arabia also appears content to allow the current market situation to continue for the rest of the year if no acceptable deal is available. Our concern would be that a lack of agreement might exacerbate the damage currently experienced by non-OPEC producers, should it lead to prices stalling close to current levels and not making a further push towards USD 80/bbl. Given that we do not expect US oil supply to make a V-shaped recovery (see Focus), we believe there is now a significant risk of an over-tightening of the market.

The y/y decline in total US oil and gas drilling is set to exceed 50%

The long run of falls in US drilling activity continued in the latest Baker-Hughes weekly data. The total US rig count has fallen by almost 50% y/y, a rate of decline that has only been exceeded in two market slumps over the past 70 years. The current rig count is 932 rigs, a y/y reduction of 929 rigs. The US oil rig count fell 31 to 703, taking the cumulative number of rigs idled since October 2014 to 906, and the y/y reduction for oil drilling alone to 54%. The Texas oil rig count shed 22 to 348, and is now 58% lower than its 2014 peak. Horizontal oil drilling (the mainstay of shale oil operations) fell 25 to 541 rigs. As noted in the Focus article, we calculate that it would take an increase of 200 rigs in shale-oil regions to stabilise output. With the path of least resistance for drilling activity likely to be downwards for a while yet, the lengthy decline in drilling has laid the ground for a long period of US output declines.

US natural gas inventories are rising faster than last year

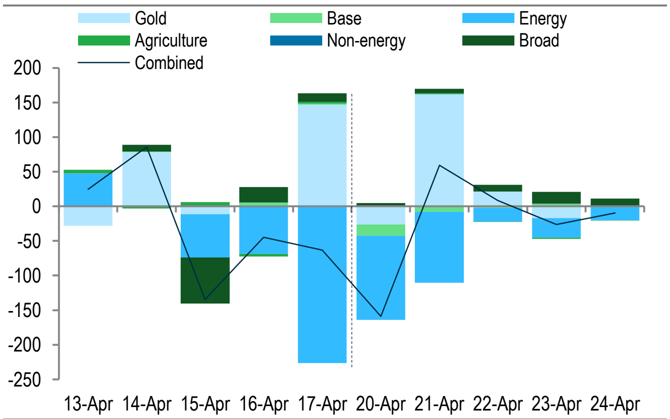
The natural gas rig count fell by eight to 217 in the week of 17 April. However, with decline rates in shale gas being substantially less than in shale oil, lower drilling is not feeding through into lower output. As a result, inventory levels are still rising faster than market expectations. The latest net injection was 90Bcf, up from 63Bcf the previous week. Over the past three weeks since the beginning of the injection season, net storage injections have totalled 168Bcf, versus 59Bcf over the same period last year. This implies that, unless summer weather is unusually hot, US natural gas inventories are likely to exceed last year's peak level of 3,611Bcf by the end of this year's injection period.

Precious metals and ETF flows

Gold has weakened, but we see the short-term downside as relatively limited

After a couple of weeks of gentle sideways trading, gold prices fell back below USD 1,200/oz last week. Gold settled at USD 1,179/oz, just USD 30 above the 2015 low set in March. This week sees a heavy concentration of central bank meetings, including the Fed; this is likely to keep Fed rate hikes and additional USD strength in focus as the key market drivers. So far, the latest escalation of concern over Greece's debt has not provided much support to gold. We would, however, expect some safe-haven demand to re-emerge in the build-up to the next set of deadlines in the last week in May. Despite the continuing headwinds of USD and rate-hike expectations, we see the short-term downside below USD 1,150 as relatively limited. We expect the prospects of a June Fed hike to recede further. We further expect physical demand to support the market if prices move towards USD 1,100.

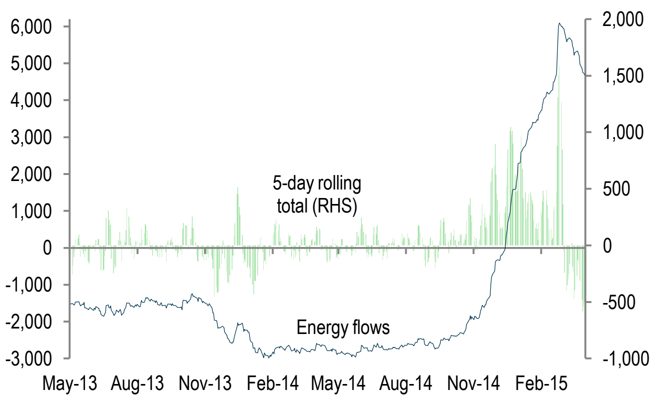
Figure 4: Daily commodity ETF flows over the past two weeks *(USD mn)*



Source: Bloomberg, Standard Chartered Research

Figure 5: 5-day rolling average for energy flows

USD mn



Source: Bloomberg, Standard Chartered Research

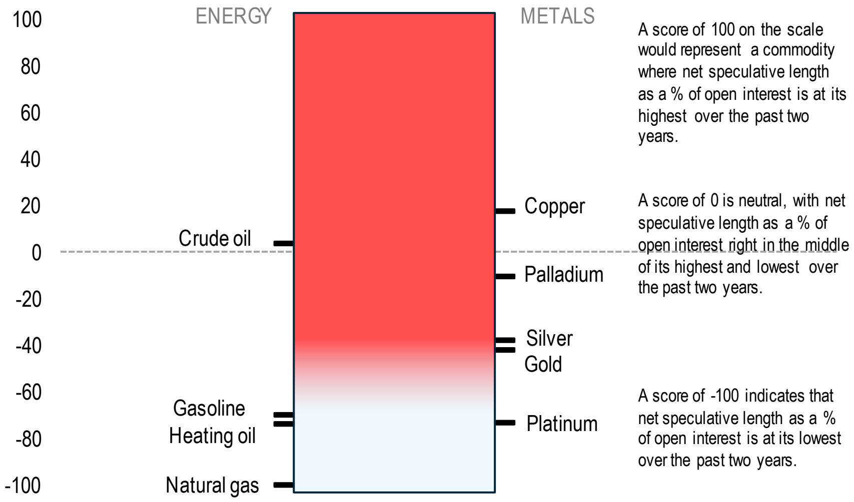
Early indications are that Indian physical demand for gold has improved in the lead-up to key festivals; however, the import tariff is still weighing on demand. We expect a muted demand recovery in India until the tariff is reduced to 5% or lower. Central bank gold buying remains strong, with the latest IMF figures showing that the large-scale buying by Russia that characterised 2014 has continued in 2015.

Flows in gold ETFs amounted to USD 140mn, compared with US 187mn the previous week. Energy ETF holdings, on the other hand, saw outflows for the fifth straight week, totalling USD 292mn for the latest week. Oil outflows amounted to USD 272mn, or 3% of AUM.

CFTC trader positions

Figure 6: Money-manager positioning in commodities: What's hot and what's not

Money manager net length as % of OI relative to 2Y highs and lows



Source: Standard Chartered Research

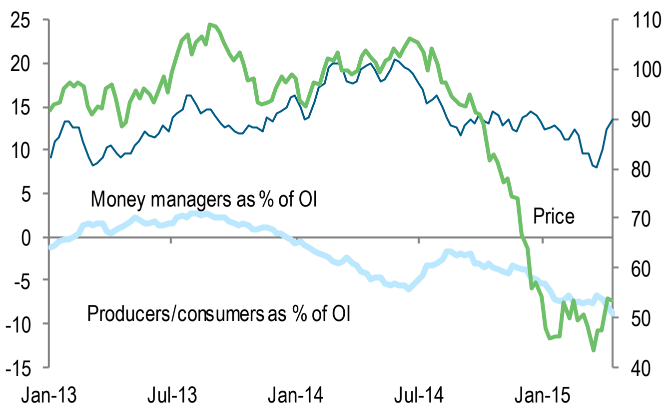
Figure 7: CFTC positions for futures markets and weekly changes as of 21 April

		Managed money positions						All positions			
Commodity	Exchange	Net Spec	% of OI	Change	% of OI	2Y low % of OI	2Y high % of OI	Open int	% chg	Price	%chg
WTI	NYMEX	259286	15.0	20730	1.2	8.1	20.5	1723025	-2.9	55.26	3.7
WTI	ICE	13360	3.0	5140	1.2	-2.0	11.3	440752	-5.0	55.26	3.7
Brent	NYMEX	1140	0.8	365	0.2	-10.7	12.6	149271	-6.1	62.08	6.2
Crude (combined)		273786	11.8	26235	1.1			2313048			
Heating oil	NYMEX	-20407	-5.7	2844	0.8	-8.8	15.2	360816	-1.2	185.32	2.9
Gasoline blendstock	NYMEX	24166	6.4	7619	2.0	2.8	26.7	378444	-1.9	188.81	2.8
US natural gas	NYMEX	-131043	-12.9	102	0.0	-12.9	14.1	1018282	-1.1	2.575	1.8
US natural gas	ICE	113389	2.8	17700	0.4	1.3	20.1	4007199	0.1	2.575	1.8
Copper	COMEX	13578	8.6	-701	-0.4	-18.2	27.3	157721	-4.8	5945	0.0
Gold	COMEX	48125	12.1	76	0.0	2.6	35.4	397379	0.6	1202.34	0.8
Palladium	NYMEX	15758	49.1	-365	-1.1	36.3	64.9	32073	1.3	769.85	0.6
Platinum	NYMEX	14194	20.7	-1841	-2.7	14.7	59.4	68668	0.0	1149.4	-0.3
Silver	COMEX	10154	5.6	-11796	-6.5	-4.7	28.3	182633	2.7	16.031	-0.9

Note: Positions shown are for futures only. Due to the calculation of delta neutral hedges implicit in the futures and options data, we find the futures only data a more reliable measure.

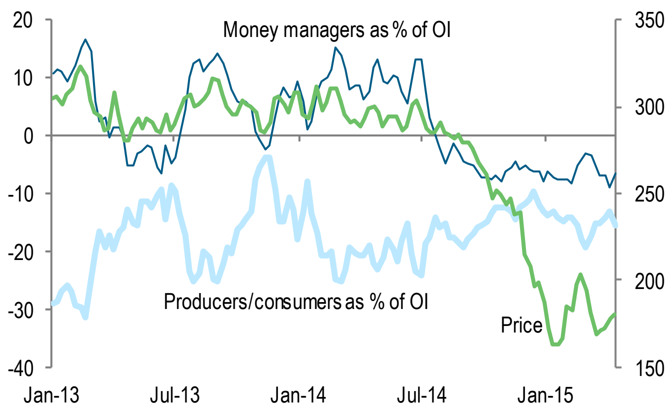
Source: CFTC, Bloomberg, Standard Chartered Research

Figure 8: NYMEX WTI prices and net positioning as % of open interest *(LHS: %, RHS: USD/bbl)*



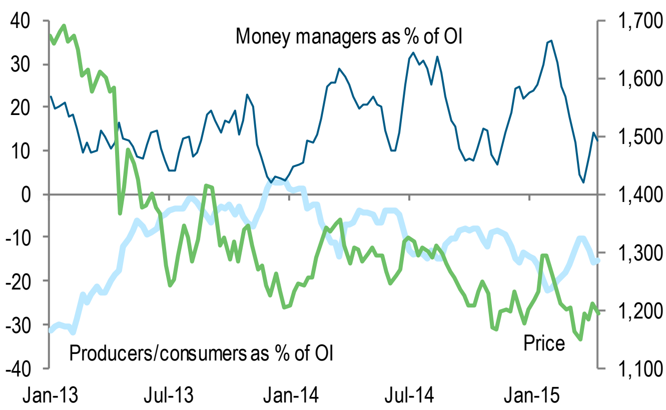
Source: CFTC, Standard Chartered Research

Figure 9: Heating oil prices and net positioning as % of open interest *(LHS: %, RHS: US cents/gallon)*



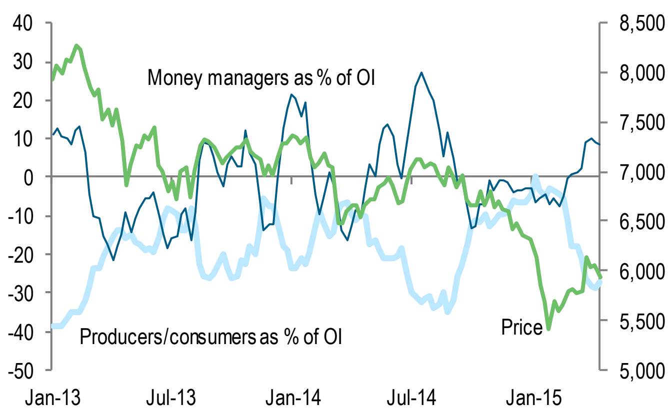
Source: CFTC, Standard Chartered Research

Figure 10: Gold prices and net positioning as % of open interest *(LHS: %, RHS: USD/oz)*



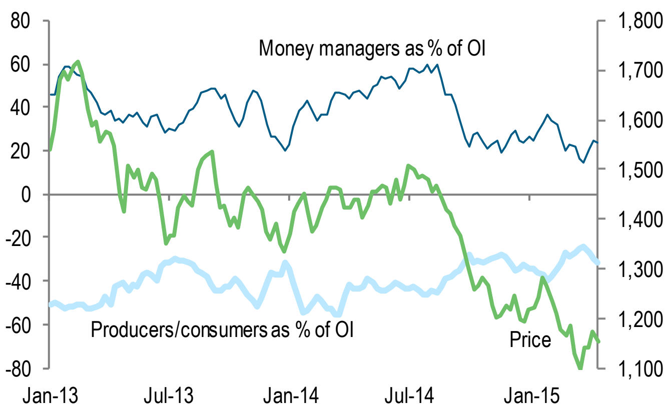
Source: CFTC, Standard Chartered Research

Figure 11: Copper prices and net positioning as % of open interest *(LHS: %, RHS: USD/t)*



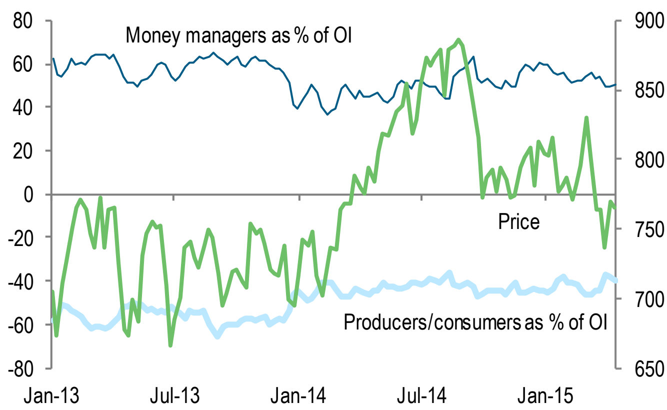
Source: CFTC, Standard Chartered Research

Figure 12: Platinum prices and net positioning as % of open interest *(LHS: %, RHS: USD/oz)*



Source: CFTC, Standard Chartered Research

Figure 13: Palladium prices and net positioning as % of open interest *(LHS: %, RHS: USD/oz)*



Source: CFTC, Standard Chartered Research

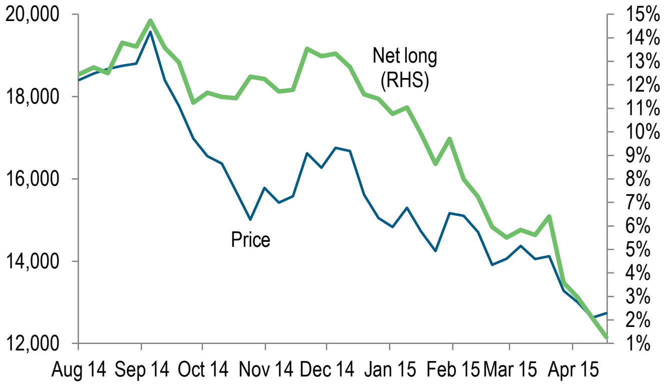
LME trader positions

Figure 14: Net LME money-manager positions as % of open interest

LME metal	Net money-manager positions					
	Net Spec positions	% of OI	W/W Change	% of OI	YTD low % of OI	YTD high % of OI
Aluminium	73,087	7.1%	3,839	0.4%	6.4%	14.8%
Copper	31,133	6.0%	4,020	0.8%	1.6%	10.3%
Nickel	3,962	1.3%	-2,657	-0.9%	1.3%	14.7%
Lead	12,745	7.2%	3,925	2.2%	-4.3%	13.8%
Tin	1,165	4.9%	152	0.6%	1.6%	14.2%
Zinc	77,226	19.0%	11,358	2.8%	8.1%	21.8%

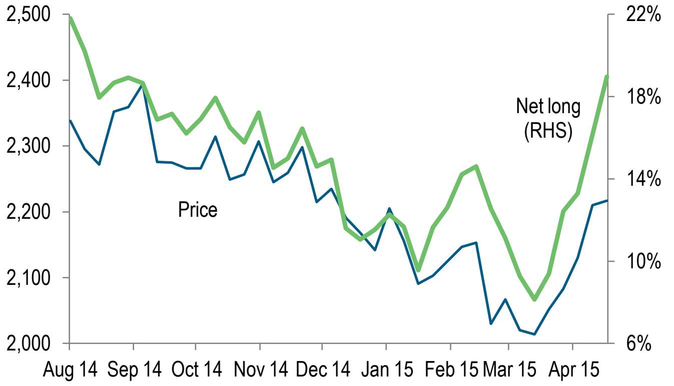
Source: LME, Standard Chartered Research. Notes: Open positions in the LME data include futures positions plus delta equivalent traded option positions. Total spec position reflects the difference between open long and short positions in the money manager category. Some investment funds attached to trade houses will not be captured in this category.

Figure 15: LME nickel price and net positioning as % of open interest *(LHS: USD/t, RHS: %)*



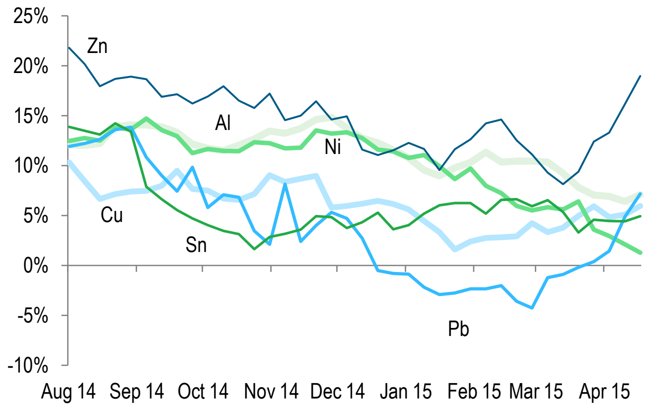
Source: LME, Bloomberg, Standard Chartered Research

Figure 16: LME zinc price and net positioning as % of open interest *(LHS: USD/t, RHS: %)*



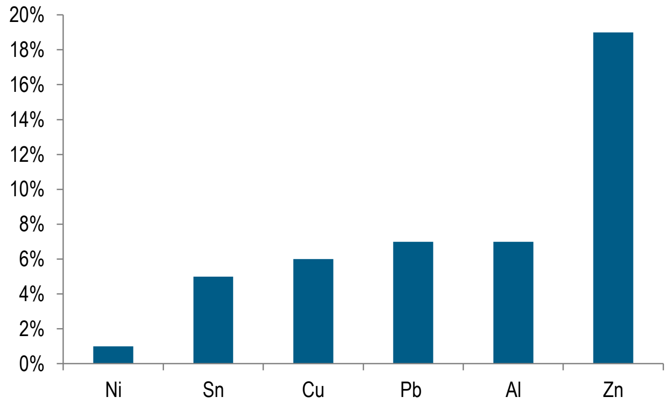
Source: LME, Bloomberg, Standard Chartered Research

Figure 17: Trend in net long LME money manager positions as % of total open interest



Source: LME, Standard Chartered Research

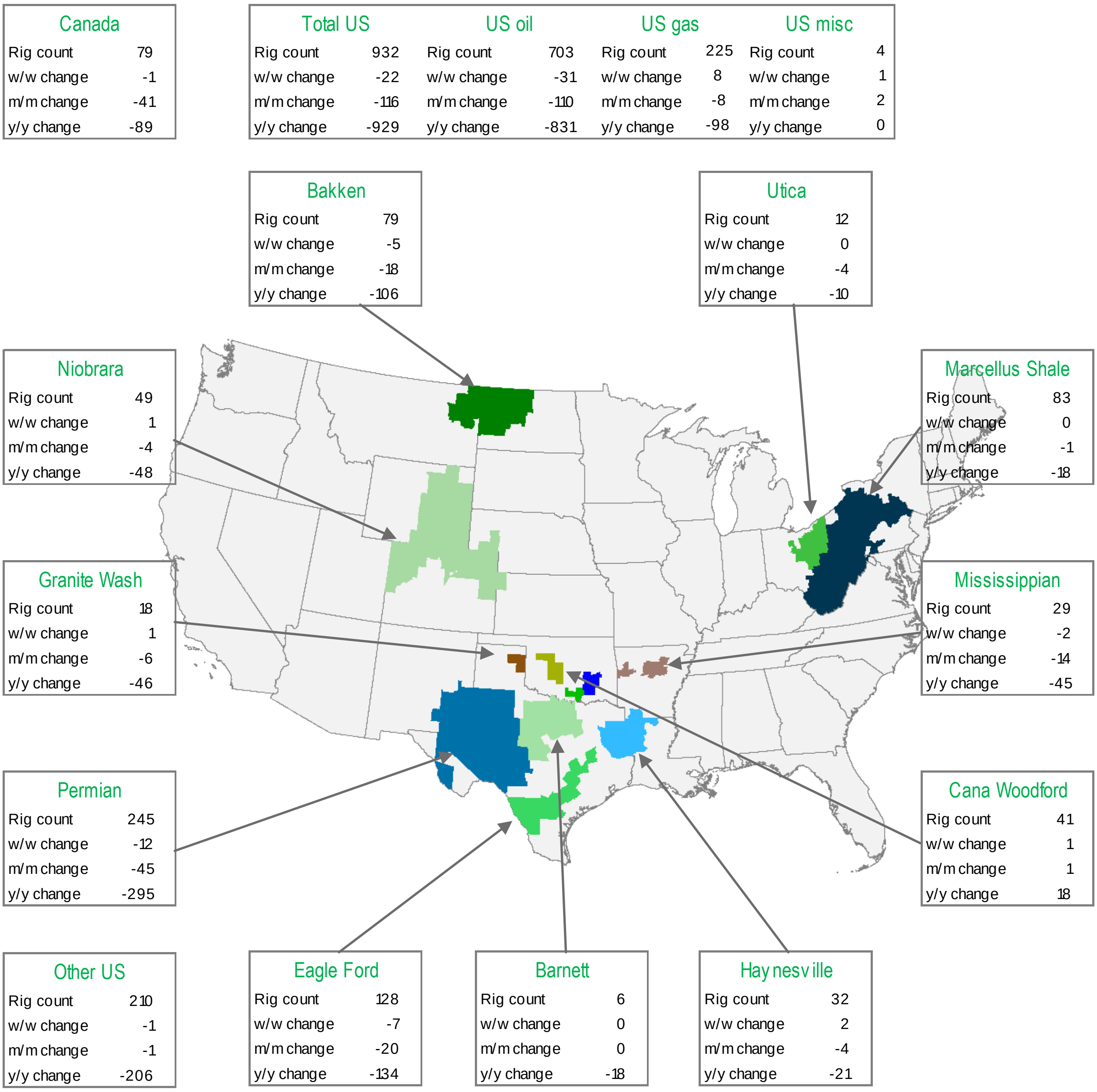
Figure 18: Current net long LME money manager positions as % of total open interest



Source: LME, Standard Chartered Research

Rig count monitor

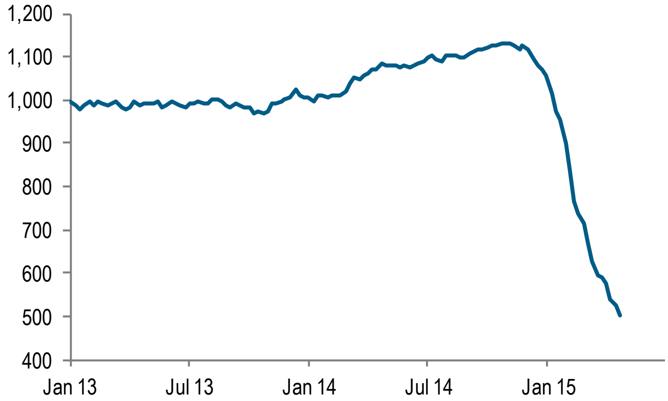
Figure 19: Oil and gas rig counts by area for 24 April 2015



Source: Baker-Hughes, Standard Chartered Research

Figure 20: US shale oil rig count (main four regions)

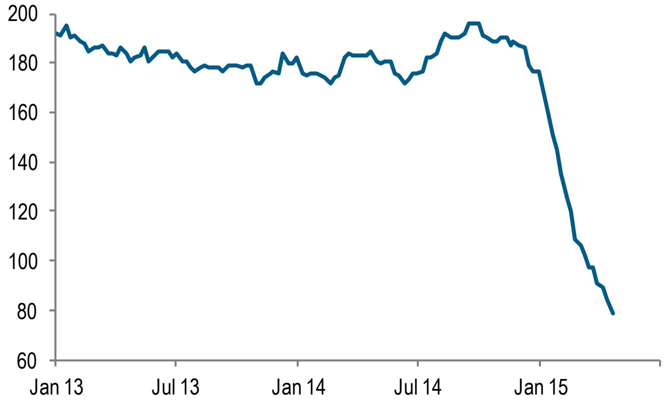
Rigs



Source: Baker-Hughes, Standard Chartered Research

Figure 21: Bakken shale region rig count

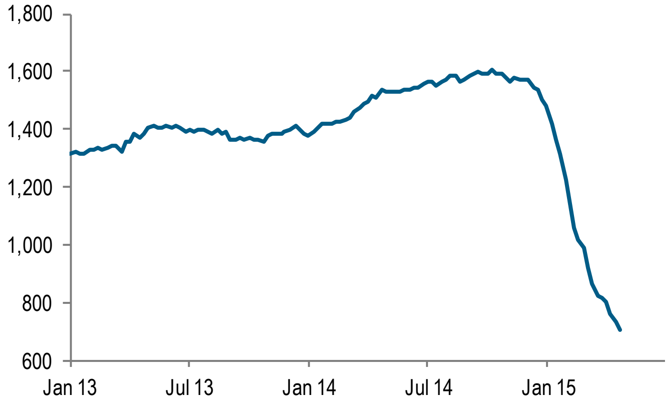
Rigs



Source: Baker-Hughes, Standard Chartered Research

Figure 22: US oil rig count

Rigs



Source: Baker-Hughes, Standard Chartered Research

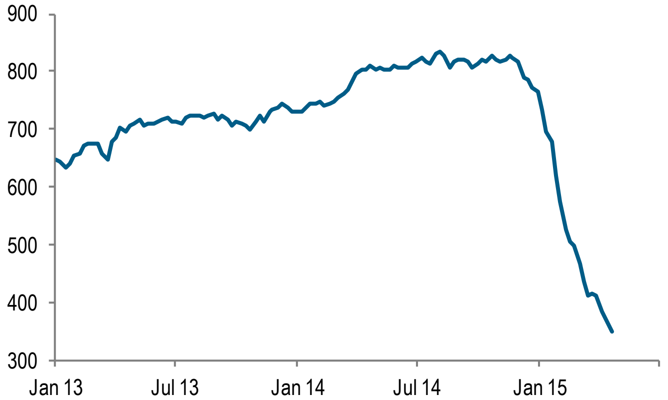
Figure 23: US gas rig count

Rigs

Source: Baker-Hughes, Standard Chartered Research

Figure 24: Texas oil rig count

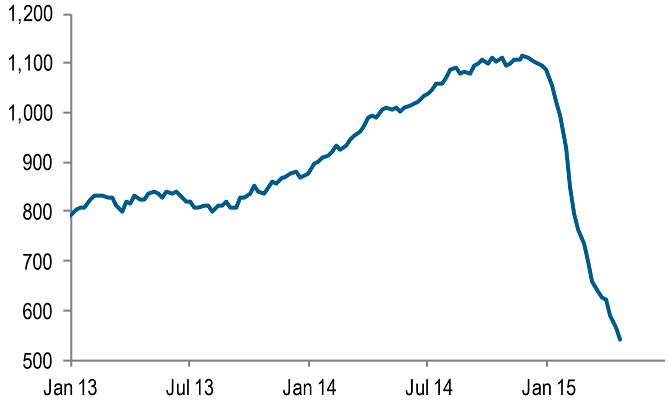
Rigs



Source: Baker-Hughes, Standard Chartered Research

Figure 25: Horizontal oil drilling rig count

Rigs

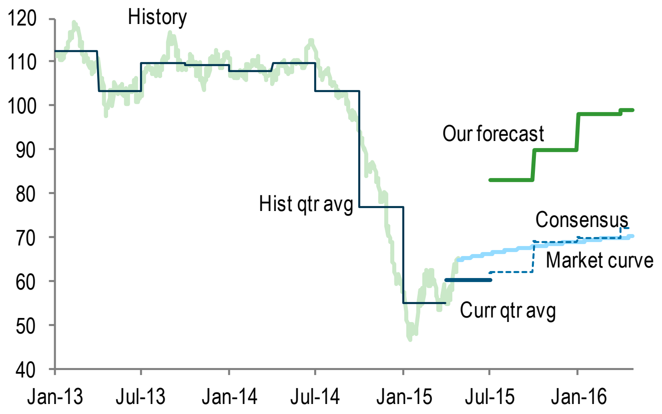


Source: Baker-Hughes, Standard Chartered Research

Forecasts and consensus

Figure 26: Brent crude oil

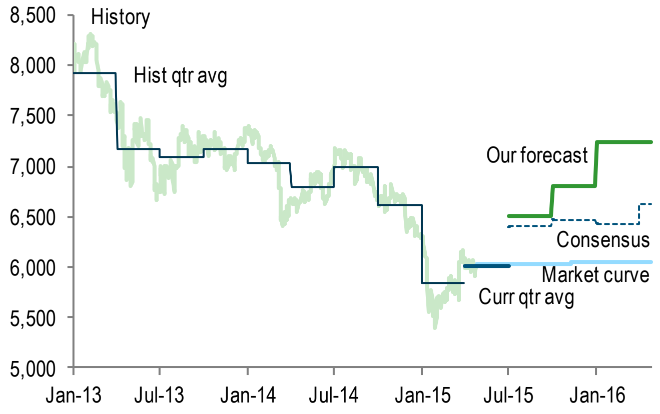
USD/bbl



Source: Bloomberg, Standard Chartered Research

Figure 27: Copper

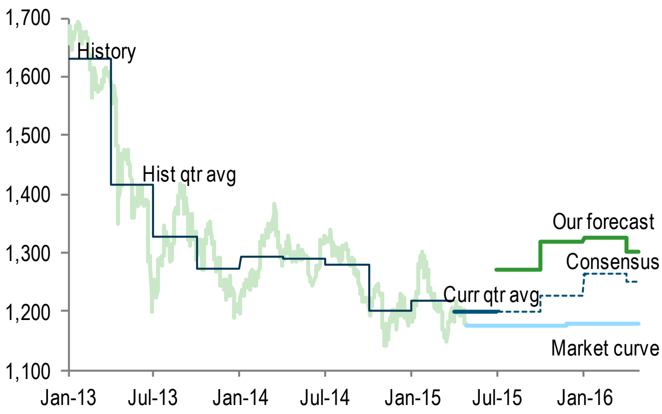
USD/t



Source: Bloomberg, Standard Chartered Research

Figure 28: Gold

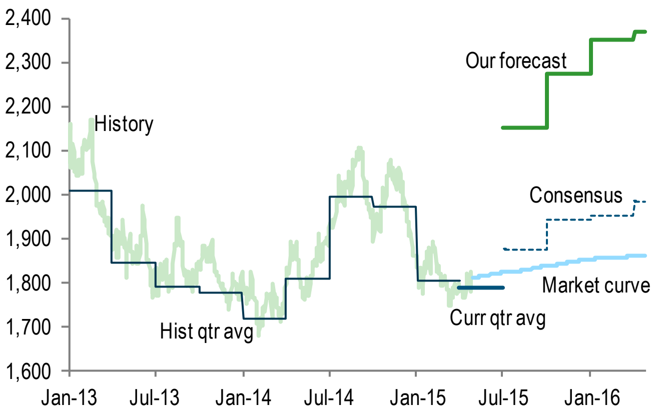
USD/oz



Source: Bloomberg, Standard Chartered Research

Figure 29: Aluminium

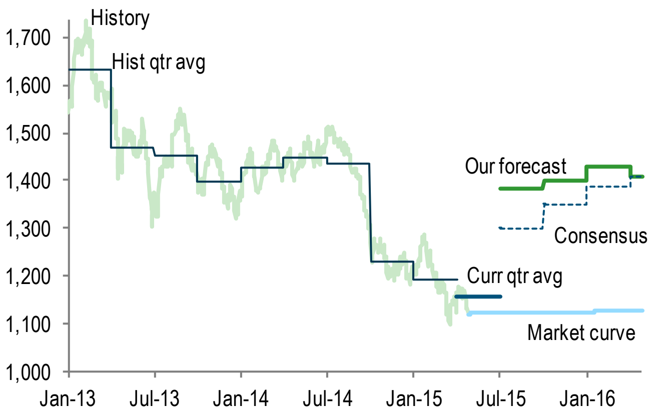
USD/t



Source: Bloomberg, Standard Chartered Research

Figure 30: Platinum

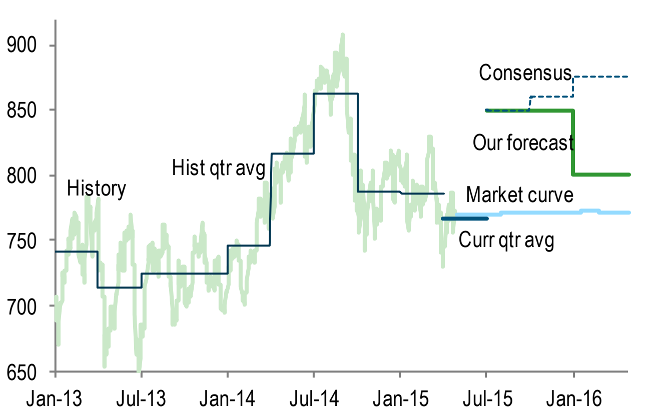
USD/oz



Source: Bloomberg, Standard Chartered Research

Figure 31: Palladium

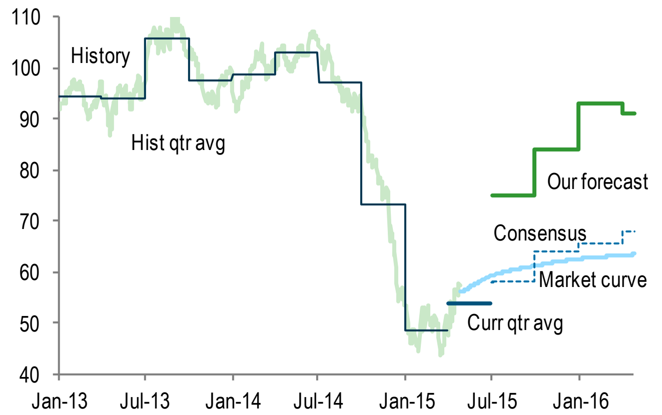
USD/oz



Source: Bloomberg, Standard Chartered Research

Figure 32: WTI crude oil

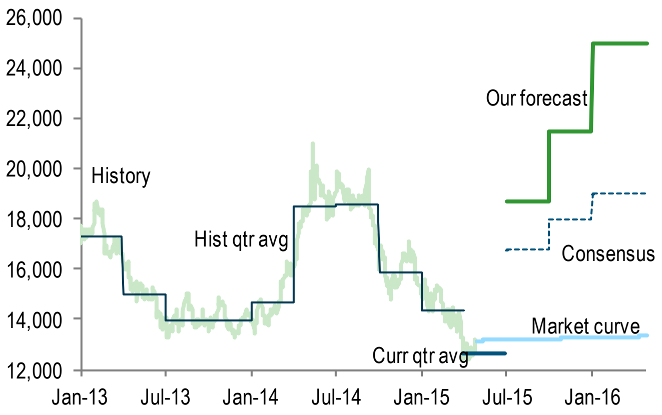
USD/bbl



Source: Bloomberg, Standard Chartered Research

Figure 33: Nickel

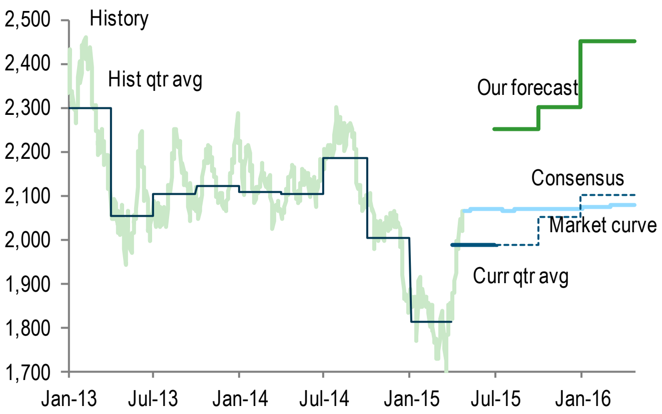
USD/t



Source: Bloomberg, Standard Chartered Research

Figure 34: Lead

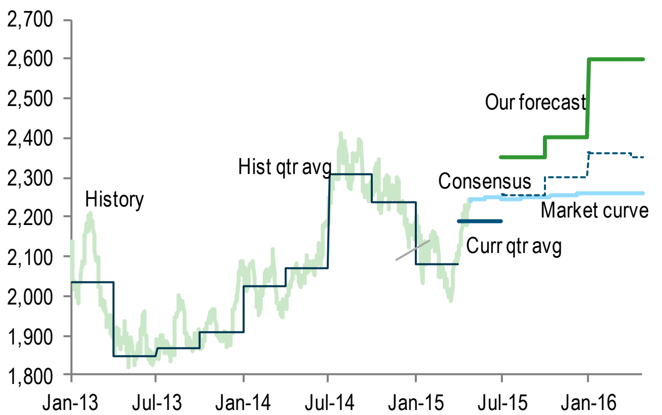
USD/t



Source: Bloomberg, Standard Chartered Research

Figure 35: Zinc

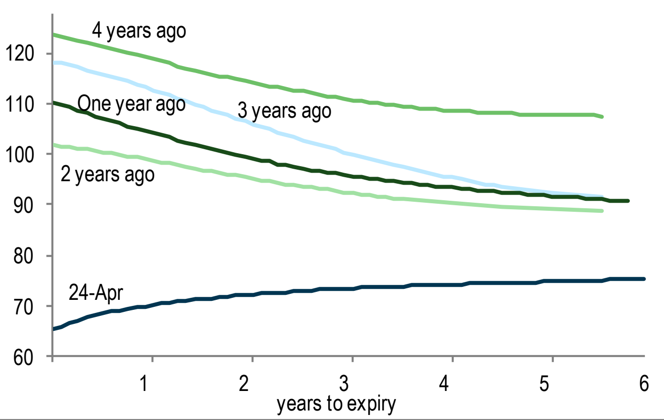
USD/t



Source: Bloomberg, Standard Chartered Research

Figure 36: Brent forward curves

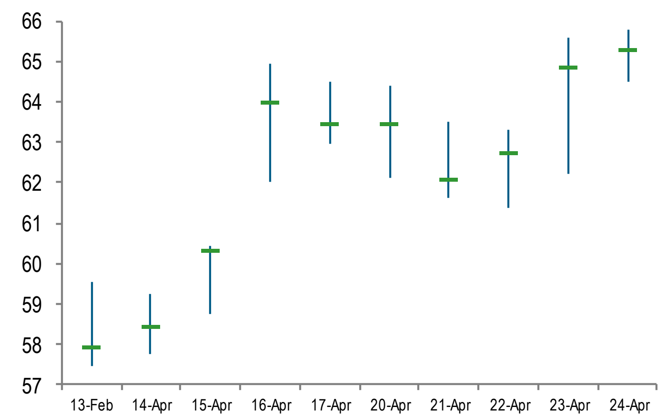
USD/bbl



Source: ICE, Standard Chartered Research

Figure 37: Brent trading range, last ten days

USD/bbl



Source: ICE, Standard Chartered Research

Macroeconomic forecasts

Figure 38: Standard Chartered macroeconomic forecasts

Country	Real GDP growth (%)					Inflation (yearly average %)					Current account (% of GDP)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Asia-Pacific	**6.5**	**6.3**	**6.3**	**6.5**	**-**	**3.6**	**2.8**	**2.5**	**3.0**	**-**	**1.9**	**2.2**	**2.6**	**2.9**	**-**
Australia	2.1	2.7	2.6	3.2	3.1	2.5	2.5	1.2	2.1	2.0	-3.0	-1.4	-1.3	-1.2	-
Bangladesh*	6.1	6.3	6.6	6.8	6.8	7.4	6.6	7.3	7.5	7.5	0.9	0.3	0.2	0.2	-
China	7.7	7.4	7.1	7.0	6.8	2.6	2.0	2.0	2.5	3.0	2.1	2.3	2.8	2.9	2.5
Hong Kong	2.9	2.3	2.6	3.0	3.5	4.3	4.4	3.5	3.5	3.5	1.5	1.8	2.3	2.8	3.3
India*	6.9	7.4	7.7	8.0	8.0	9.5	6.6	5.4	5.0	5.0	-1.7	-0.9	-1.1	-1.5	-1.5
Indonesia	5.6	5.0	5.2	5.5	5.8	7.0	6.4	6.0	5.0	5.0	-3.2	-3.0	-2.8	-2.5	-
Japan	1.5	0.0	1.0	1.2	0.4	0.4	2.7	0.5	1.4	3.2	0.7	0.5	0.8	1.2	1.0
Malaysia	4.7	6.0	5.0	5.3	5.2	2.1	3.1	2.2	3.6	3.0	4.0	4.6	2.5	4.5	6.0
New Zealand	2.5	3.4	3.1	2.5	2.5	1.2	1.2	0.0	2.2	2.0	-3.4	-4.3	-5.0	-5.2	-
Pakistan*	3.6	3.5	4.5	4.5	5.0	7.5	8.6	7.5	8.0	8.0	-1.0	-1.2	-1.2	-2.2	-3.0
Philippines	7.2	6.1	6.0	5.7	5.8	2.9	4.2	2.2	3.5	3.3	4.2	4.4	4.2	3.6	3.0
Singapore	3.9	2.9	3.0	4.0	4.0	2.4	1.0	0.1	2.3	2.5	18.4	19.1	19.5	19.0	18.5
South Korea	3.0	3.3	3.2	3.4	3.3	1.3	1.3	1.3	2.2	2.5	6.1	6.4	7.2	5.8	5.0
Sri Lanka	7.3	7.4	7.8	8.0	7.8	6.9	3.4	1.8	4.5	5.0	-3.9	-3.7	-4.1	-4.1	-
Taiwan	2.2	3.7	4.3	4.0	4.0	0.8	1.2	0.8	1.4	1.6	10.5	11.8	10.0	8.0	7.0
Thailand	2.9	0.7	5.1	5.9	5.5	2.2	1.9	0.5	2.5	3.1	-0.4	3.8	2.1	0.5	-0.1
Vietnam	5.4	5.8	6.0	6.2	6.4	6.6	4.1	3.4	4.5	5.0	3.0	4.5	5.0	5.5	6.0
Africa	**5.3**	**4.7**	**4.0**	**5.1**	**-**	**7.3**	**7.3**	**7.5**	**8.1**	**-**	**-0.8**	**-0.7**	**-1.6**	**-3.7**	**-**
Angola	6.0	4.0	3.0	6.5	6.3	8.5	8.0	9.5	8.5	7.0	8.0	3.0	-4.0	-2.0	-
Botswana	5.8	4.4	5.1	4.8	-	5.3	4.4	3.0	4.8	-	-1.8	5.7	4.1	2.1	-
Cameroon	4.7	5.0	5.0	5.0	5.3	3.0	2.5	2.7	2.5	2.5	-3.8	-4.2	-4.5	-4.0	-
Côte d'Ivoire	8.0	8.0	8.0	7.0	7.0	3.2	2.5	2.5	2.5	2.0	-2.5	-3.0	-3.2	-3.0	-
The Gambia	6.3	-1.4	3.0	5.5	6.0	5.2	5.7	6.0	6.0	6.0	-9.3	-15.6	-15.2	-15.3	-14.0
Ghana	7.3	4.2	3.9	5.8	6.5	11.7	15.5	15.0	11.7	13.0	-11.9	-9.2	-9.5	-9.0	-
Kenya	5.6	5.4	6.0	6.3	-	5.7	6.9	5.3	6.8	-	-8.9	-8.6	-7.3	-7.1	-
Nigeria	6.7	6.2	4.5	5.5	5.8	8.5	8.1	9.4	9.7	7.6	4.0	1.8	-1.5	-2.0	-
Sierra Leone	20.1	4.0	-2.0	5.2	11.0	9.8	7.2	7.0	8.0	8.5	-10.4	-11.1	-9.4	-8.7	-
South Africa	1.9	1.5	2.0	2.7	3.0	5.8	6.1	4.3	5.7	5.4	-6.3	-5.4	-5.0	-4.8	-
Tanzania	6.8	7.2	6.9	7.1	-	8.0	6.1	4.4	7.2	-	-13.5	-14.5	-12.9	-11.8	-
Uganda	5.7	6.0	6.2	6.5	-	5.4	4.3	3.5	7.8	-	-12.0	-9.7	-10.5	-11.0	-
Zambia	6.0	6.0	5.5	6.2	-	7.0	7.8	7.5	8.1	-	-3.7	-1.7	-2.2	-2.5	-
Middle East	**3.8**	**3.7**	**3.2**	**3.9**	**-**	**4.5**	**5.8**	**5.1**	**5.5**	**-**	**11.3**	**9.1**	**9.0**	**4.4**	**-**
Bahrain	5.3	4.5	3.0	4.0	4.5	3.3	2.5	2.5	2.6	3.0	7.8	7.0	1.0	2.0	-
Egypt*	2.1	3.5	4.5	4.0	4.0	7.0	9.0	9.0	10.0	11.0	-2.7	-0.5	-2.0	-2.0	-1.5
Iraq	4.5	3.5	4.5	6.0	7.0	1.9	2.5	4.0	5.5	5.5	5.0	8.0	5.0	7.0	-
Jordan	2.9	3.5	4.0	4.2	4.5	5.6	3.5	3.5	4.0	4.0	-9.7	-8.0	-6.0	-5.5	-5.0
Kuwait*	-0.5	3.5	4.0	3.8	3.5	2.7	3.7	3.6	3.5	2.5	40.5	30.0	10.0	15.0	12.0
Lebanon	1.5	1.8	2.2	3.5	4.0	3.2	2.1	2.7	3.0	3.0	-12.8	-12.5	-11.0	-10.0	-
Oman	4.8	4.0	3.5	4.0	4.0	1.2	3.5	2.6	3.0	2.5	11.9	7.0	3.5	5.5	6.0
Qatar	6.1	5.5	5.4	5.5	4.5	3.1	3.5	4.2	4.5	3.5	29.2	25.0	26.0	27.0	28.0
Saudi Arabia	3.8	4.5	1.8	2.3	3.1	3.5	4.0	3.5	4.1	3.5	17.4	18.7	7.5	8.2	8.8
Turkey	4.1	2.8	3.5	4.5	4.5	7.5	8.9	6.8	7.0	7.0	-8.0	-5.8	-5.2	-6.5	-
UAE	4.8	4.5	3.8	3.9	4.2	1.1	4.2	4.1	4.0	3.8	14.9	15.0	12.0	13.5	14.0
Latin America	**1.4**	**0.6**	**1.7**	**2.4**	**-**	**7.5**	**10.1**	**9.4**	**7.2**	**-**	**-1.8**	**-2.9**	**-3.1**	**-3.2**	**-**
Argentina	2.5	-2.0	-1.5	1.8	4.0	28.0	50.0	40.0	30.0	30.0	-0.8	-1.0	-1.2	-1.5	-
Brazil	2.5	0.0	-0.8	1.3	2.5	5.9	6.5	8.2	5.6	5.5	-3.7	-4.2	-4.0	-3.7	-2.6
Chile	4.2	1.8	2.7	3.2	4.5	3.0	4.9	3.0	3.0	3.5	-3.4	-1.8	-2.2	-2.0	-
Colombia	4.3	4.8	3.5	3.2	4.0	1.9	3.7	3.6	3.7	3.6	-3.5	-4.0	-5.5	-5.2	-
Mexico	1.1	2.1	2.5	3.2	4.0	4.0	4.0	3.6	3.8	3.0	-1.8	-1.8	-2.1	-2.0	-2.4
Peru	5.5	2.4	4.0	5.0	5.5	2.9	3.1	2.9	2.7	3.1	-4.4	-4.1	-3.9	-4.6	-
Europe/N. America															
Euro area	-0.4	0.9	1.5	2.1	1.9	1.3	0.4	0.2	1.7	1.3	2.3	2.8	3.1	2.9	-
Switzerland	2.0	2.0	0.6	1.7	2.0	0.1	0.0	-1.0	0.3	1.0	13.5	11.5	9.0	10.0	-
UK	1.8	2.8	2.8	2.2	2.0	2.6	1.5	0.7	1.9	2.0	-4.4	-5.0	-4.7	-4.0	-3.7
Canada	2.0	2.5	0.8	0.8	2.0	0.9	1.9	0.4	1.2	1.8	-3.0	-2.2	-1.8	-1.8	-2.0
US	2.2	2.4	2.6	2.3	2.1	1.3	1.4	1.4	1.7	1.9	-2.4	-2.4	-2.4	-2.3	-2.3
Global	**2.7**	**3.0**	**3.2**	**3.4**	**-**	**2.6**	**2.6**	**2.2**	**2.7**	**-**					

* Fiscal year starts in April in India and Kuwait, July in Bangladesh, Pakistan, and Egypt
Source: Standard Chartered Research

Commodity price forecasts

Figure 39: Standard Chartered price forecasts

	Market close 24/04/2015	Q2 - 15 F	Q3 - 15 F	Q4 - 15 F	Q1 - 16 F	Q2 - 16 F	Q3 - 16 F	2015 F	2016 F
Energy									
Crude oil (nearby future, USD/bbl)									
ICE Brent	65.28	71	83	90	98	99	98	76	100
vs fwd %			23%	31%	41%	41%	38%		42%
NYMEX WTI	57.15	58	75	84	93	91	93	67	93
vs fwd %			24%	35%	48%	43%	45%		46%
Dubai spot[1]	62.34	67	79	88	94	94	94	72	96
Thermal coal (nearby future, USD/t)									
API4	60.30	73.0	70.0	72.0	74.0	74.0	74.0	72.8	74.0
vs fwd %			22%	26%	31%	32%	32%		32%
API2	59.00	68.0	68.0	68.0	70.0	70.0	70.0	68.5	70.0
vs fwd %			18%	18%	22%	23%	22%		22%
Newcastle[1]	60.85	62.0	64.0	65.0	68.0	68.0	70.0	63.8	69.0
Metals									
Base metals (LME 3m, USD/t)									
Aluminium	1823	1,975	2,150	2,275	2,350	2,370	2,425	2,075	2,400
vs fwd %			17%	23%	27%	27%	29%		28%
Copper	6030	6,250	6,500	6,800	7,250	7,250	7,250	6,350	7,250
vs fwd %			8%	13%	20%	20%	20%		20%
Lead	2064	2,150	2,250	2,300	2,450	2,450	2,450	2,200	2,450
vs fwd %			9%	11%	18%	18%	17%		18%
Nickel	13195	17,400	18,700	21,500	25,000	25,000	25,000	18,250	25,000
vs fwd %			41%	62%	88%	87%	87%		87%
Tin	15825	22,000	23,800	24,900	24,500	24,500	24,500	22,550	24,500
vs fwd %			50%	57%	54%	54%	54%		54%
Zinc	2245	2,275	2,350	2,400	2,600	2,600	2,600	2,300	2,600
vs fwd %			4%	6%	15%	15%	15%		15%
Iron ore (USD/t)									
Iron ore[1,2]	50.50	55	53	61	65	65	65	58	65
Precious metals (spot, USD/oz)									
Gold	1179	1,230	1,270	1,320	1,325	1,300	1,350	1,245	1,330
vs fwd %			8%	12%	12%	10%	14%		13%
Palladium	772	845	850	850	800	800	800	850	800
vs fwd %			10%	10%	4%	4%			4%
Platinum	1124	1,365	1,385	1,400	1,430	1,410	1,470	1,350	1,455
vs fwd %			23%	25%	27%	25%			29%
Silver	15.74	17.1	17.3	17.5	17.5	17.0	17.0	17.2	17.4
vs fwd %			10%	11%	11%	7%	7%		10%

[1]no forward price comparison available; [2]cost and freight at China's Tianjin port, 62% iron content, Indian origin

Source: Standard Chartered Research

Disclosures appendix

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