

Commodities Coming Off the Boil

A Publication of BMO Capital Markets Economic Research · Douglas Porter, CFA, Chief Economist, BMO Financial Group

Macroeconomic Developments:

- Commodities continue to benefit from the global economic recovery and robust goods-related demand, though some have stepped back from recent peak levels (e.g., lumber, copper and aluminum).
- China, the world's largest commodity consumer, has garnered increased attention in recent weeks as authorities there have vowed to explore measures to curb “unreasonable” price increases.
- On the flip side, crude oil’s remarkable recovery has picked up steam in recent days, with WTI crossing US\$70/bbl. The focus on OPEC+ will intensify ahead of its next Ministerial Meeting on July 1st.
- BMO Economics estimates that global GDP will expand by 6.0% in 2021 and a further 5.0% in 2022, after contracting by 3.3% in 2020.

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Commodity Forecast Updates:

- The **BMO Capital Markets Commodity Price Index** increased 8.6% in May.
- Energy:** No changes, though it’s worth highlighting that OPEC+’s production cut strategy, which has so far proven to be more effective than initially anticipated, is facing the risk of higher output from a new Iran deal.
- Metals:** The zinc price forecast has been raised to US\$1.25/lb in 2021 (from \$1.15), while the nickel price projection has been revised up to \$7.45/lb for 2022 (from \$7.15) on increasing EV demand.
- Forest Products:** Slower U.S. residential construction in May helped lumber prices retreat from all-time highs above \$1600/mbf. Weaker seasonal demand should allow prices to drift lower through the second half of 2021.
- Agriculture:** The near-term outlook for livestock prices has been raised moderately (US\$1-2/cwt on average over 2021). Herd adjustments made in response to meatpacker closures last year are having a greater-than-expected impact on prices, but will also bring about faster supply growth ahead—especially in the hog space.

Commodity Price Outlook

Commodity		2020	2021f	2022f	Commodity		2020	2021f	2022f
Energy					Metals				
Crude Oil ^a	US\$/bbl	39.27	60.00	60.00	Gold	US\$/oz	1,770	1,800	1,700
Natural Gas ^b	US\$/mmbtu	2.03	2.85	2.50	Silver	US\$/oz	20.51	27.00	26.50
Agriculture					Forest Products				
Wheat	US\$/bushel	5.50	6.80	6.40	Lumber	US\$/mbf	556	1100	700
Canola	US\$/tonne	372	640	530					
Cattle	US\$/cwt	106	118 ↑	122					
Hogs	US\$/cwt	60	90 ↑	83 ↑					

Sources: BMO Economics, Haver Analytics

f = forecast; ↑, ↓ = forecast changes from last month; ^a WTI; ^b Henry Hub

Energy, Materials and Agriculture

	Crude Oil (US\$/bbl)	Natural Gas		Lumber (US\$/mbf)	Wheat (US\$/bushel)	Canola (US\$/tonne)	Cattle (US\$/cwt)	Hogs	
		Henry Hub (US\$/mmbtu)	AECO						
2008	99.57	8.86	7.78	215	7.98	527	93.60	66.05	
2009	61.69	3.95	3.51	177	5.30	371	83.85	58.11	
2010	79.43	4.39	3.89	255	5.81	429	94.95	75.60	
2011	95.08	4.00	3.67	255	7.10	566	114.54	90.34	
2012	94.20	2.75	2.39	299	7.50	601	122.65	84.93	
2013	97.93	3.73	3.08	356	6.84	545	126.40	89.33	
2014	93.26	4.39	4.08	349	5.88	400	151.50	105.83	
2015	48.69	2.63	2.12	277	5.08	371	146.49	69.40	
2016	43.21	2.52	1.64	305	4.36	366	118.61	65.60	
2017	50.91	2.99	1.67	401	4.36	393	117.90	69.87	
2018	64.84	3.17	1.19	480	4.95	389	114.64	65.26	
2019	56.99	2.57	1.36	360	4.94	344	115.84	69.92	
2020	39.27	2.03	1.67	556	5.50	372	105.54	59.83	
y-t-d 2021	60.65	3.20	2.40	1141	6.65	641	117.38	93.61	
2020	Jun	38.32	1.63	1.41	392	4.97	346	95.23	48.38
	Jul	40.72	1.76	1.49	547	5.24	354	100.76	49.56
	Aug	42.35	2.30	1.90	808	5.14	370	104.86	52.97
	Sep	39.59	1.92	1.71	948	5.49	391	106.46	65.42
	Oct	39.46	2.39	1.91	697	6.06	401	106.84	71.92
	Nov	41.01	2.61	2.18	584	5.98	430	110.07	65.52
	Dec	47.05	2.58	2.01	818	6.00	474	110.06	66.18
2021	Jan	52.07	2.71	2.18	899	6.55	526	114.39	69.06
	Feb	59.06	5.35	3.04	989	6.52	583	115.93	78.96
	Mar	62.34	2.62	2.18	1025	6.36	632	119.31	93.07
	Apr	61.72	2.66	2.24	1224	6.68	672	120.61	105.71
	May	65.17	2.91	2.54	1604	7.10	768	116.30	112.40
	m-t-d Jun	68.86	3.02	n.a.	n.a.	6.85	743	116.10	119.13
Forecast 2021 avg.	60.00	2.85	2.25	1100	6.80	640	118.00 ↑	90.00 ↑	
2022 avg.	60.00	2.50	1.85	700	6.40	530	122.00	83.00 ↑	

Commodity price forecasts are by BMO Economics and are independent of those used by BMO Capital Markets Equity Research

↑ and ↓ indicate annual forecast changes from last month

Base and Precious Metals

		Copper	Aluminum (US\$/lb)	Zinc	Nickel	Gold (US\$/oz)	Silver
2008		3.15	1.17	0.85	9.57	872	15.01
2009		2.34	0.75	0.75	6.64	973	14.67
2010		3.42	0.99	0.98	9.89	1225	20.16
2011		4.00	1.09	0.99	10.38	1570	35.11
2012		3.61	0.92	0.88	7.96	1668	31.15
2013		3.32	0.84	0.87	6.81	1411	23.83
2014		3.11	0.85	0.98	7.65	1266	19.08
2015		2.50	0.75	0.88	5.37	1160	15.70
2016		2.21	0.73	0.95	4.35	1248	17.10
2017		2.80	0.89	1.31	4.72	1258	17.06
2018		2.96	0.96	1.33	5.95	1270	15.71
2019		2.72	0.81	1.16	6.31	1393	16.20
2020		2.80	0.77	1.03	6.25	1770	20.51
y-t-d 2021		4.09	1.00	1.28	7.89	1804	26.43
2020	Jun	2.60	0.71	0.92	5.76	1734	17.73
	Jul	2.88	0.74	0.98	6.05	1841	20.44
	Aug	2.95	0.79	1.09	6.57	1971	26.90
	Sep	3.04	0.79	1.11	6.74	1923	25.84
	Oct	3.04	0.82	1.11	6.90	1903	24.26
	Nov	3.20	0.88	1.21	7.17	1870	24.05
	Dec	3.52	0.92	1.26	7.62	1854	24.93
2021	Jan	3.62	0.91	1.23	8.10	1870	25.90
	Feb	3.84	0.94	1.24	8.42	1814	27.37
	Mar	4.08	0.99	1.27	7.47	1722	25.62
	Apr	4.23	1.05	1.28	7.48	1759	25.64
	May	4.62	1.10	1.35	7.99	1848	27.48
	m-t-d Jun	4.54	1.10	1.36	8.14	1889	27.73
Forecast	2021 avg.	4.00	1.00	1.25 ↑	7.65	1800	27.00
	2022 avg.	3.50	0.95	1.05	7.45 ↑	1700	26.50

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Commodity Indices and Forecasts (US\$-terms : 2003 = 100)

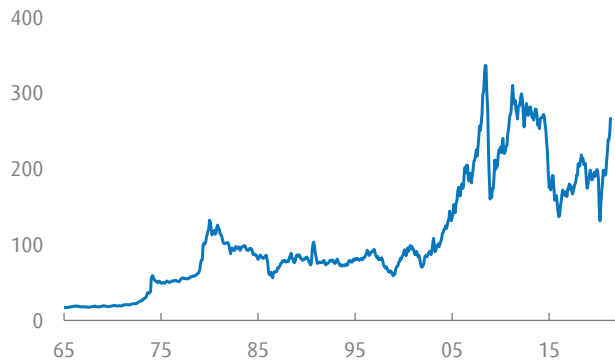
		All Commodities	Oil & Gas	Metals & Minerals	Forest Products	Agricultural Products	All Commodities (C\$-terms)
	2012	279.7	270.2	353.8	108.4	216.9	199.5
	2013	271.7	283.0	304.1	128.6	200.1	199.6
	2014	252.1	271.4	270.5	121.3	170.0	198.4
	2015	170.9	142.5	244.8	98.3	151.3	155.5
	2016	160.7	126.9	241.1	110.3	135.9	151.8
	2017	178.1	149.6	249.4	144.8	139.8	165.0
	2018	204.3	189.0	257.5	169.5	147.2	188.8
	2019	191.0	165.6	267.4	124.4	141.3	180.9
	2020	179.8	114.7	303.7	198.2	151.3	171.5
Forecast	2021	241.7	174.7	338.8	400.8	211.6	211.3
	2022	225.9	173.9	325.0	258.3	190.5	191.3
	2019 Q3	192.3	163.5	276.8	123.5	137.9	181.2
	Q4	194.7	165.0	278.0	131.3	145.7	183.5
	2020 Q1	178.4	132.8	279.2	139.8	149.2	170.5
	Q2	150.8	81.9	285.9	126.5	139.5	149.0
	Q3	192.2	119.2	322.5	271.1	147.8	182.6
	Q4	197.7	125.0	327.2	255.5	168.9	184.0
	2021 Q1	232.8	170.3	332.5	349.8	197.8	210.4
Forecast	Q2	256.2	183.3	344.5	505.4	226.8	223.9
	Q3	244.5	173.9	342.6	427.3	216.1	210.6
	Q4	233.1	171.3	335.7	320.6	205.8	200.0
	2020 May	151.9	84.0	285.2	128.2	139.7	151.5
	Jun	169.0	111.1	291.3	138.6	138.0	163.4
	Jul	182.2	118.2	309.0	193.0	143.7	175.8
	Aug	198.3	124.0	331.5	286.3	145.4	187.4
	Sep	196.2	115.4	327.0	334.1	154.3	184.8
	Oct	191.7	116.1	324.4	255.9	164.7	181.0
	Nov	192.6	120.9	325.9	218.0	167.7	179.7
	Dec	208.9	137.8	331.4	292.5	174.2	191.2
	2021 Jan	221.4	152.2	335.7	322.4	190.4	201.2
	Feb	238.3	177.9	335.4	355.6	198.6	216.0
	Mar	238.7	180.7	326.5	371.5	204.3	214.2
	Apr	245.7	179.1	334.1	441.9	215.5	219.4
	May	266.8	189.3	352.0	571.5	235.1	231.0

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All-Commodity Index

Nominal US\$-Terms

(2003 = 100)

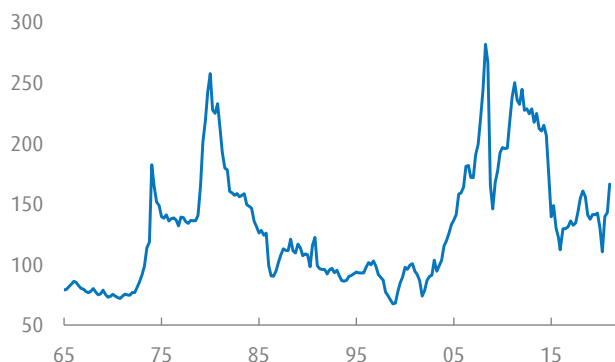


Source: BMO Economics

All-Commodity Index

Real US\$-Terms

(2003 = 100)

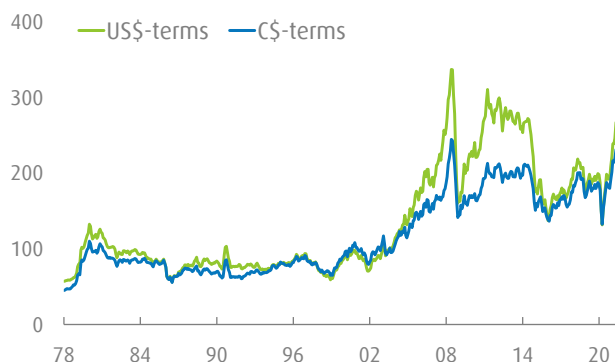


Source: BMO Economics

All-Commodity Index

Nominal

(2003 = 100)



Source: BMO Economics

Technical Note

The BMO Capital Markets Commodity Price Index is a fixed-weight, export-based index that encompasses the price movement of 16 commodities key to Canadian exports. Weights are each commodity's average share of the total value of exports of the 16 commodities during the period 2012-16. Similarly, weights of sub-index components reflect the relative importance of commodities within their respective product group.

The all-commodities index and sub-indices consist of the following:

(percent)	Weight in All-Commodities Index	Weight in Sub-Index
Metals & Minerals	29.8	100.0
Gold	10.6	35.4
Silver	1.4	4.6
Aluminum	6.4	21.4
Copper	2.3	7.8
Nickel	3.2	10.8
Zinc	0.9	3.0
Uranium	1.3	4.4
Potash	3.8	12.6
Oil and Gas	54.6	100.0
Crude Oil	47.6	87.2
Canadian Natural Gas	7.0	12.8
Forest Products	6.5	100.0
Lumber	5.5	84.1
OSB	1.0	15.9
Agricultural Products	9.1	100.0
Wheat	4.5	49.5
Canola	3.3	36.6
Hogs	0.3	3.0
Beef Cattle	1.0	10.9
All Commodities	100.0	—

Source: BMO Economics

Unless otherwise specified, all indices reported in this publication correspond to prices in U.S. dollars.

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