



ML August Commodities Strategy

Midlincoln Commodity Rankings by Performance Potential**

Name	Rank
3Mo Tin (LME)USD/MT	44.31
Natural Gas (Nymex)USD/MMBtu	37.36
Coffee 'C' (ICE)USd/lb.	30.69
Ethanol (CBOT)USD/gal.	29.29
Oats (CBOT)USd/bu.	28.97
Brent Crude (ICE)USD/bbl.	27.02
Coking CoalCNY/MT	26.33
Canola (ICE)CAD/MT	25.43
Copper (Comex)USd/lb.	22.17
3Mo Aluminum (LME)USD/MT	21.11
Lean Hogs (CME)USd/lb.	19.04
NickelUSD/MT	17.8
SteelUSD/MT	17.47
Cotton #2 (ICE)USd/lb.	14.77
Corn (CBOT)USd/bu.	13.62
Sugar #11 (ICE)USd/lb.	12.53
3Mo Zinc (LME)USD/MT	11.66
Wheat (CBOT)USd/bu.	11.34
Soybean (CBOT)USd/bu.	9.77
Feeder Cattle (CME)USd/lb.	9.72
Live Cattle (CME)USd/lb.	8.51
Palladium SpotUSD/t oz.	7.9
Orange Juice (ICE)USd/lb.	7.57
Rough Rice (CBOT)USD/cwt	6.28
Platinum SpotUSD/t oz.	1.03
Silver (Comex)USD/t oz.	0.3
Gold SpotUSD/t oz.	-1.16
Cocoa (ICE)USD/MT	-2.38
Lumber (CME)USD/1000 board feet	-6.65

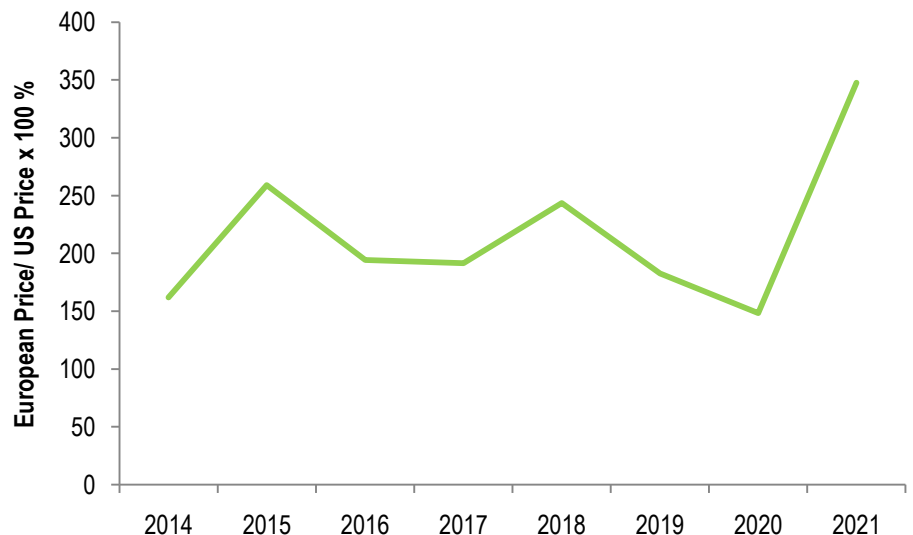
Source: Bloomberg, LME, Midlincoln

**Rank is obtained through mix of quantitative and fundamental methods

➤ Natural Gas

- We are still positive on European gas price despite the parabolic price performance in Europe.
- Price arbitrage between US and European gas prices, which was expected to decline upon the start of US LNG exports has on the contrary widened.
- The shortage of capacity for production of LNG in the US is key reason.
- 2021 saw yet again an increase in the US LNG exports from 6.5bcfd in 2020 to 9.38 bcfd in 2021. Though EIA is projecting a decline in LNG exports in 2022 to 9.2bcfd, which leads to assumption that arbitrage between US and Europe gas price will remain large and European market will be in tight supply.
- Any additional volumes supplied to Europe in 2021 could only sourced from Russia which is not in a hurry to unlock additional gas volumes for European markets, reducing the volumes shipped via Ukraine and awaiting the launch of Nord Stream 2 for gas shipments increase.
- European industry is at disadvantage presently to their US competition due to large energy price arbitrage and surge in gas price and oil prices. While US market is still supplied with oil and gas products at prices stroke last year as bruised US shale industry locked hedges at still low price levels last year.
- Russia increase in shipments still possible. Although the launch of Nord Stream 2 will not be able to immediately cool down the European gas market and the prices are likely to remain elevated in Europe for some time.

Europe/US Gas price arbitrage



Source: Midlincoln

Commodities monthly performance

Commodity	Monthly Close price	Change m o-m %
Coffee 'C' (ICE)USD/lb.	1.7955	15.17
Oats (CBOT)USD/bu.	4.4775	14.73
3Mo Tin (LME)USD/MT	34649	10.86
Natural Gas (Nymex)USD/MMBtu	3.91	8.01
Coking Coal(CNY)/MT	2205	7.82
NickelUSD/MT	19892	7.82
Orange Juice (ICE)USD/lb.	1.3295	6.49
Copper (Comex)USD/lb.	4.4825	5.05
Feeder Cattle (CME)USD/lb.	1.618	4.86
Live Cattle (CME)USD/lb.	1.272	4.48
Cotton #2 (ICE)USD/lb.	0.8939	4.4
3Mo Copper (LME)USD/MT	9728	3.77
Canola (ICE)CAD/MT	842.2	3.76
RBOB Gasoline (Nymex)USD/gal.	2.3347	3.25
Wheat (CBOT)USD/bu.	7.0375	3
3Mo Aluminum (LME)USD/MT	2590	2.64
Gold (Comex)USD/t oz.	1817.2	2.61
Gold/Indian Rupee SpotINR/t oz.	135837.9	2.53
Gold SpotUSD/t oz.	1814.18	2.45
Gold/Euro SpotEUR/t oz.	1528.36	2.32
Heating Oil (Nymex)USD/gal.	2.1956	1.99
Kerosene (Tokyo)JPY/kl	64380	1.87
3Mo Zinc (LME)USD/MT	3027	1.77
Gold/British Pound SpotGBP/t oz.	1304.7	1.48
Rough Rice (CBOT)USD/cwt	13.68	1.41
Gasoil (Nymex)USD/MT	613.25	1.03
Gold (Tokyo)JPY/g	6405	0.96
Gold/Japanese Yen SpotJPY/t oz.	198944.5	0.67
Soybean Oil (CBOT)USD/lb.	0.6304	0.54
Cocoa (ICE)USD/MT	2366	0.51
Sugar #11 (ICE)USD/lb.	0.1791	0.22
Rubber (Tokyo)JPY/kg	167.9	0
Brent Crude (ICE)USD/bbl.	75.41	-0.46
SteelUSD/MT	720.57	-0.8
WTI Crude Oil (Nymex)USD/bbl.	73.95	-1.39
Silver SpotUSD/t oz.	25.49	-1.96
Silver/Euro SpotEUR/t oz.	21.48	-2.1
Silver (Comex)USD/t oz.	25.55	-2.11
Crude Oil (Tokyo)JPY/kl	48050	-2.22
Silver/British Pound SpotGBP/t oz.	18.34	-2.86
Platinum SpotUSD/t oz.	1051.55	-2.86
Silver/Japanese Yen SpotJPY/t oz.	2795.83	-3.63
Palladium SpotUSD/t oz.	2662.93	-3.79
Soybean (CBOT)USD/bu.	13.4925	-4.24
Silver (Tokyo)JPY/g	89.1	-4.71
Ethanol (CBOT)USD/gal.	2.22	-6.72
ECX Emissions (ICE)EUR/MT	53.33	-7.65
Corn (CBOT)USD/bu.	5.4525	-7.78
Soybean Meal (CBOT)USD/T.	353.9	-9.33
Lumber (CME)USD/1000 board feet	621.2	-12.26
Lean Hogs (CME)USD/lb.	0.8803	-13.44

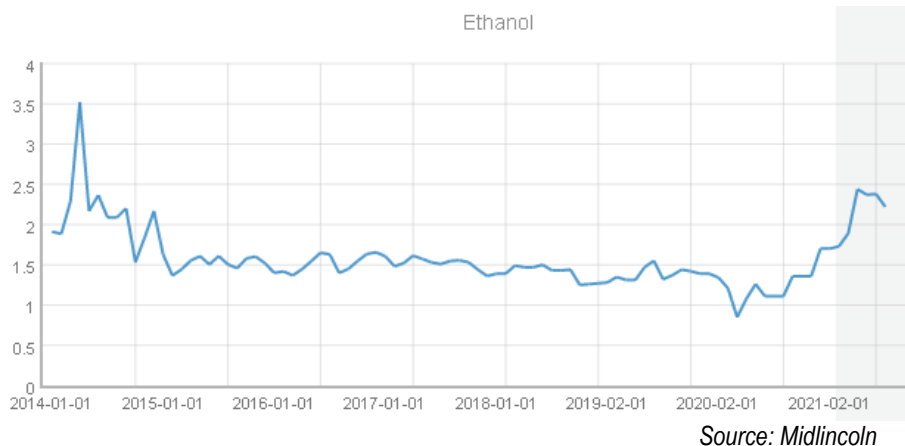
Source: Bloomberg, LME, Midlincoln

Commodities Trade Finance Constraints

- Part of the recent price action in commodities in our view is that a commodity trading sector in 2021 is under banked. Commodities trade finance segment of the banking sector in bruises after last year chaos and bankruptcies. The Singapore based Hin Leong Trading bankruptcy was especially painful for the industry. Lenders were exposed to as much as 3bn\$ in credits to the failed energy trading firm. But that was only part of the problem. The crisis last year uncovered a range of fraudulent practices especially getting multiple financing from different banks for the same trade operation. Another problem that resurfaced that commodity financing swung to normal banking credits against balance sheet of the trading firm rather than collateralized deal financing aiming at specific trade operation.
- **Tin 34,649.00(USD/MT)** is added to the list of our commodities top picks in August given the supply constraints the price action could lead to rerating of the metal price widely used in electronics industry.



- **Ethanol 2.22(USD/gal.)** is removed from the list of our top picks in August as production in commodity back to normal levels and price action is likely to normalize.



- **Silver 25.55(USD/t oz.)** In August Silver is added to our list of possible worst performers. The metal price was quite for a couple of months as speculation ceased. There are still some supply constraints for this metal as well widely used in electronics industry, but they are mostly unknotted and we expect price to retreat.

Commodities YTD performance

Name	YTDChange pct
ECX Emissions (ICE)EUR/MT	68.66
3Mo Tin (LME)USD/MT	63.17
RBOB Gasoline (Nymex)USD/gal.	53.09
Soybean Oil (CBOT)USD/lb.	50.99
Natural Gas (Nymex)USD/MMBtu	48.11
WTI Crude Oil (Nymex)USD/bbl.	41.37
Coffee 'C' (ICE)USD/lb.	40.11
Heating Oil (Nymex)USD/gal.	37.95
Crude Oil (Tokyo)JPY/kl	37.21
Brent Crude (ICE)USD/bbl.	36.93
Gasoil (Nymex)USD/MT	34.85
3Mo Aluminum (LME)USD/MT	31.34
Ethanol (CBOT)USD/gal.	30.59
Kerosene (Tokyo)JPY/kl	30.56
Cocking CoalCNY/MT	28.72
Copper (Comex)USD/lb.	24.07
Canola (ICE)CAD/MT	23.31
Oats (CBOT)USD/bu.	22.42
3Mo Copper (LME)USD/MT	22.03
Lean Hogs (CME)USD/lb.	21.17
Feeder Cattle (CME)USD/lb.	19.13
3Mo Zinc (LME)USD/MT	12.84
SteelUSD/MT	12.59
Palladium SpotUSD/t oz.	11.89
NickelUSD/MT	10.17
Cotton #2 (ICE)USD/lb.	9.96
Orange Juice (ICE)USD/lb.	9.11
Sugar #11 (ICE)USD/lb.	8.88
Live Cattle (CME)USD/lb.	7.61
Silver/Japanese Yen SpotJPY/t oz.	6.7
Silver (Tokyo)JPY/g	4.95
Rough Rice (CBOT)USD/cwt	4.27
Gold (Tokyo)JPY/g	4.08
Gold/Japanese Yen SpotJPY/t oz.	3.89
Silver/Euro SpotEUR/t oz.	3.22
Corn (CBOT)USD/bu.	3.02
Wheat (CBOT)USD/bu.	2.96
Silver (Comex)USD/t oz.	1.27
Silver SpotUSD/t oz.	1.23
Gold/Indian Rupee SpotINR/t oz.	0.79
Gold/Euro SpotEUR/t oz.	0.48
Rubber (Tokyo)JPY/kg	0
Silver/British Pound SpotGBP/t oz.	-0.92
Gold (Comex)USD/t oz.	-1.21
Gold SpotUSD/t oz.	-1.4
Soybean (CBOT)USD/bu.	-3.49
Gold/British Pound SpotGBP/t oz.	-3.55
Platinum SpotUSD/t oz.	-4.11
Lumber (CME)USD/1000 board feet	-6.29
Cocoa (ICE)USD/MT	-6.37
Soybean Meal (CBOT)USD/T.	-22.39

Source: Bloomberg, LME, Midlincoln

Silver (Comex) Historic Price



Source: Midlincoln

- **Cocoa 2,366.00(USD/MT).** Cocoa is added our list of possible worst performers in August. We think that the bear market in coca is still ripe. The food price inflation which has affected the key softs has not penetrated the soft products where demand is more discretionary as cocoa and prices will remain under pressure.

Cocoa (ICE) Historic Price

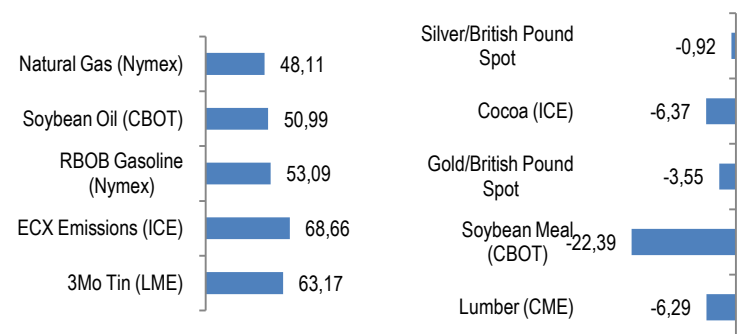


Source: Midlincoln

Commodities top picks and possible worst performers, August stance

Top Picks and YTD Change%

Possible Worst Performers and YTD%



Source: Midlincoln

Estimates of commodities average prices

Name	Avg2014	Avg2015	Avg2016	Avg2017	Avg2018	Avg2019	Avg2020	Avg2021
WTI Crude Oil (Nymex)USD/bbl.	94.99	50.28	42.75	51.2	66.47	56.15	40.18	61.83
Brent Crude (ICE)USD/bbl.	101.79	55.57	44.49	54.93	72.13	63.14	43.55	64.49
Crude Oil (Tokyo)JPY/kl	65510	40930	27931.67	37180.83	47237.5	40296.67	29553.33	41210
Natural Gas (Nymex)USD/MMBtu	4.29	2.63	2.55	3.1	2.99	2.62	2.09	2.91
RBOB Gasoline (Nymex)USd/gal.	2.67	1.66	1.41	1.66	1.97	1.7	1.21	1.93
Heating Oil (Nymex)USd/gal.	2.85	1.74	1.34	1.67	2.09	1.92	1.28	1.85
Gasoil (Nymex)USD/MT	860.42	514.5	390.94	495.81	645.1	584.38	379.44	521.71
Kerosene (Tokyo)JPY/kl	78761.67	53452.5	39289.17	49809.17	64072.5	57185.83	43763.33	55380
ECX Emissions (ICE)EUR/MT	7.87	8.54	6.01	6.28	15.05	24.64	24.78	42.95
Cocking CoalCNY/MT	0	0	544.58	1268.21	1413.17	1308.79	1264.71	1675.29
Gold (Comex)USD/t oz.	1256.96	1164.12	1242.98	1261.42	1296.03	1393.65	1789.18	1792.73
Gold (Tokyo)JPY/g	4244.08	4518.75	4351.5	4528	4513.17	4856.42	6090.5	6213.29
Gold SpotUSD/t oz.	1257.9	1165.04	1244.58	1260.77	1291.16	1390.27	1781.96	1792.78
Gold/Euro SpotEUR/t oz.	942.71	1046.48	1121.54	1119.38	1082.19	1241.64	1555.33	1492.39
Gold/British Pound SpotGBP/t oz.	760.72	762.51	916.27	977.94	953.38	1094.4	1384.48	1297.23
Gold/Japanese Yen SpotJPY/t oz.	132439.14	140867.54	135395.43	141150.35	140707.55	151395.17	189708.44	193456.36
Gold/Indian Rupee SpotINR/t oz.	76693.98	74391.53	83373.76	82136.46	86707.74	97986.21	132303.55	131727.3
Silver (Comex)USD/t oz.	18.99	15.68	17.05	17.22	16.02	16.17	20.67	26
Silver (Tokyo)JPY/g	63.86	60.57	59.2	61.41	55.99	56.49	70.08	90.36
Silver SpotUSD/t oz.	19	15.72	17.08	17.24	16.02	16.15	20.53	25.93
Silver/Euro SpotEUR/t oz.	14.22	14.13	15.39	15.33	13.42	14.42	17.84	21.59
Silver/British Pound SpotGBP/t oz.	11.48	10.29	12.61	13.39	11.82	12.71	15.91	18.75
Silver/Japanese Yen SpotJPY/t oz.	1997.59	1901.2	1852.36	1930.39	1744.57	1758.4	2183.74	2799.79
Platinum SpotUSD/t oz.	1387.32	1069.77	992.14	958.52	908.21	861.19	896.21	1150.73
Palladium SpotUSD/t oz.	799.7	704.93	617.6	862.4	1026.02	1512.27	2195.9	2608.05
Copper (Comex)USd/lb.	3.13	2.54	2.2	2.81	2.97	2.71	2.76	4.11
3Mo Copper (LME)USD/MT	6870.46	5589.33	4873.5	6196	6659.25	5991.08	6143.96	9044.21
3Mo Aluminum (LME)USD/MT	1884.9	1703.58	1619.13	1957.67	2138.58	1817.92	1723.33	2249
3Mo Zinc (LME)USD/MT	2153.04	1976.13	2096.13	2872.25	3032	2483.58	2239.13	2853
3Mo Tin (LME)USD/MT	22013.75	16282.92	17658.33	20154.17	20428.33	18467.5	17087.33	25995
NickelUSD/MT	16717.5	12147.08	9583.75	10585.83	13551.67	13755.83	13669.25	17775.71
SteelUSD/MT	526.25	355	369.38	493.71	548.13	451.42	446.42	668.4
Corn (CBOT)USd/bu.	0.38	4.24	3.79	3.74	3.66	3.85	3.58	5.84
Wheat (CBOT)USd/bu.	2.6	5.7	4.85	4.63	4.91	4.95	5.36	6.73
Oats (CBOT)USd/bu.	0	1.46	2.14	2.41	2.51	2.83	2.82	3.78
Rough Rice (CBOT)USD/cwt	14.11	11.08	10.25	10.95	11.5	11.5	12.8	13.36
Soybean (CBOT)USd/bu.	1.74	9.45	9.71	9.77	9.42	8.95	9.31	14.37
Soybean Meal (CBOT)USD/T.	430.26	326.37	313.93	312.35	340.27	306.84	313.1	419.5
Soybean Oil (CBOT)USd/lb.	0.37	0.31	0.32	0.34	0.3	0.29	0.31	0.54
Canola (ICE)CAD/MT	441.19	474.08	482.08	509.64	503.82	461.2	492.67	689.54
Cocoa (ICE)USD/MT	3004.17	3059.25	2905.83	2018.42	2266.75	2386.25	2486.17	2463.29
Coffee 'C' (ICE)USd/lb.	1.75	1.32	1.35	1.34	1.14	1.02	1.13	1.39
Sugar #11 (ICE)USd/lb.	0.17	0.13	0.18	0.16	0.12	0.12	0.13	0.17
Orange Juice (ICE)USd/lb.	1.45	1.25	1.7	1.55	1.51	1.08	1.16	1.17
Cotton #2 (ICE)USd/lb.	0.77	0.63	0.65	0.75	0.82	0.67	0.63	0.84
Lumber (CME)USD/1000 board feet	337.38	270.06	295.22	379.39	464.43	362.89	496.94	943.67
Rubber (Tokyo)JPY/kg	207.42	190.36	171.15	241.9	177.54	181.2	167.08	167.9
Ethanol (CBOT)USD/gal.	2.17	1.53	1.51	1.52	1.4	1.37	1.21	2.03
Live Cattle (CME)USd/lb.	1.51	1.48	1.19	1.18	1.14	1.15	1.07	1.19
Feeder Cattle (CME)USd/lb.	2.02	2.04	1.44	1.43	1.48	1.42	1.37	1.45
Lean Hogs (CME)USd/lb.	1.06	0.71	0.65	0.7	0.69	0.72	0.58	0.96

Source: Midlincoln Estimates

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