

# Booster Shot for Commodities

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

## Macroeconomic Developments:

- Recent progress on a potential COVID-19 vaccine has provided commodities, and risk assets in general, an unexpected boost. Nevertheless, the escalation in new caseloads in the West and renewed lockdown measures remain a near-term headwind.
- On the flip side, precious metals, particularly gold, have pulled back amid reduced safe-haven demand and modestly higher real Treasury yields.
- The price of crude oil has remained resilient but all eyes will be focused on the next OPEC+ meetings scheduled for November 30th and December 1st to see if the cartel tapers its production cut target, which currently stands at 7.7 mb/d.
- Although the road to recovery has become a little bumpier, BMO Economics remains comfortable with its call for global growth to snap back 5.5% in 2021 after this year's historic 4% setback.

## ECONOMIC RESEARCH economics.bmo.com

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## Commodity Forecast Updates:

- The **BMO Capital Markets Commodity Price Index** fell 2.3% in October, marking its second straight decline.
- Energy:** no change in 2021 projections in WTI or Henry Hub. We expect WTI to average US\$45/bbl as global oil demand continues to recover and OPEC+ restrains supply.
- Metals:** short-term outlook for base metals remains broadly constructive as China's industrial recovery continues to gather momentum. Though gold prices have slipped in early November, they remain well supported by steady ETF inflows.
- Forest Products:** lumber remains in the midst of a large-scale correction following the massive post-pandemic surge. We expect prices, currently around US\$540/mbf, to settle in the range of \$375/mbf in 2021, closer in line with the long-term average.

Commodity Price Outlook					Commodity Price Outlook				
Commodity		2019	2020f	2021f	Commodity		2019	2020f	2021f
Energy					Metals				
Crude Oil <sup>a</sup>	US\$/bbl	56.99	38.50	45.00	Gold	US\$/oz	1,393	1,780	1,850
Natural Gas <sup>b</sup>	US\$/mmbtu	2.57	2.05 ↑	2.50	Silver	US\$/oz	16.20	20.54 ↑	23.00
Agriculture					Forest Products				
Wheat	US\$/bushel	4.94	5.50 ↑	5.80	Lumber	US\$/mbf	360	520 ↓	375 ↑
Canola	US\$/tonne	344	365	410					
Cattle	US\$/cwt	116	107 ↓	118					
Hogs	US\$/cwt	70	61 ↓	78					

Sources: BMO Economics, Haver Analytics

f = forecast; ↑, ↓ = forecast changes from last month; <sup>a</sup> WTI; <sup>b</sup> 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						
2007	72.36	6.98	6.02	245	6.38	378	93.92	65.56	
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	
y-t-d 2020	38.22	1.94	1.59	523	5.41	357	104.60	58.78	
2019	Nov	56.95	2.65	2.11	384	5.16	346	119.49	62.92
	Dec	59.81	2.22	1.82	390	5.42	350	121.72	66.08
2020	Jan	57.53	2.02	1.75	396	5.65	360	125.18	66.80
	Feb	50.53	1.91	1.39	433	5.49	345	118.90	60.59
	Mar	29.46	1.79	1.39	367	5.35	331	102.30	61.31
	Apr	16.61	1.74	1.42	317	5.41	327	90.38	46.62
	May	28.55	1.75	1.51	361	5.15	334	95.43	62.68
	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
	m-t-d Nov	38.24	2.76	n.a.	n.a.	6.05	413	108.85	65.94
Forecast 2020 avg.	38.50	2.05 ↑	1.70 ↑	520 ↓	5.50 ↑	365	106.50 ↓	60.50 ↓	
2021 avg.	45.00	2.50	2.00 ↑	375 ↑	5.80	410	118.00	78.00	

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
	2007	3.23	1.20	1.47	16.89	697	13.40
	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
	y-t-d 2020	2.70	0.75	0.99	6.06	1758	19.90
2019	Nov	2.66	0.80	1.10	6.89	1472	17.18
	Dec	2.75	0.80	1.03	6.26	1480	17.10
2020	Jan	2.74	0.80	1.07	6.15	1561	17.97
	Feb	2.58	0.76	0.96	5.78	1599	17.91
	Mar	2.35	0.73	0.86	5.38	1594	14.90
	Apr	2.29	0.66	0.86	5.33	1680	15.04
	May	2.37	0.66	0.89	5.50	1716	16.22
	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
	m-t-d Nov	3.10	0.85	1.17	7.01	1916	24.64
Forecast	2020 avg.	2.75	0.75	1.00 ↑	6.19 ↑	1780	20.54 ↑
	2021 avg.	2.80	0.76	0.95	6.85	1850	23.00

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↑ and ↓ indicate annual forecast changes from last month

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

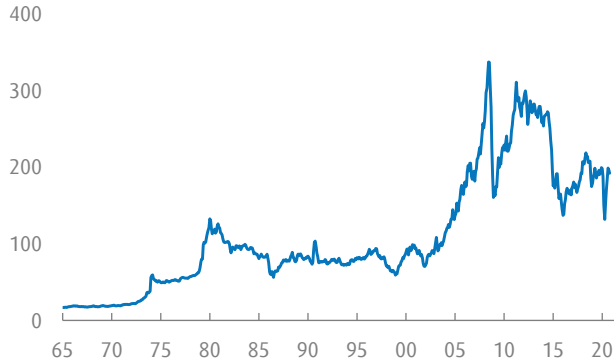
		All Commodities	Oil & Gas	Metals & Minerals	Forest Products	Agricultural Products	All Commodities (C\$-terms)
	2011	283.7	275.6	364.8	90.1	205.3	200.3
	2012	279.7	270.2	353.8	108.4	216.9	199.5
	2013	271.7	283.0	304.1	128.6	200.1	199.6
	2014	252.1	271.4	270.5	121.3	170.0	198.4
	2015	170.9	142.5	244.8	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
<b>Forecast</b>	<b>2020</b>	<b>177.6</b>	<b>112.6</b>	<b>303.2</b>	<b>186.2</b>	<b>150.6</b>	<b>170.1</b>
	<b>2021</b>	<b>190.8</b>	<b>131.9</b>	<b>319.1</b>	<b>134.4</b>	<b>164.0</b>	<b>178.3</b>
	2019 Q1	185.4	160.4	256.6	128.3	143.2	176.0
	Q2	191.7	173.4	258.3	114.5	138.3	182.9
	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
<b>Forecast</b>	<b>Q4</b>	<b>189.1</b>	<b>116.5</b>	<b>325.2</b>	<b>207.5</b>	<b>165.8</b>	<b>178.3</b>
	<b>2021 Q1</b>	<b>191.2</b>	<b>123.5</b>	<b>330.9</b>	<b>154.4</b>	<b>166.5</b>	<b>179.7</b>
	<b>Q2</b>	<b>189.3</b>	<b>126.1</b>	<b>325.2</b>	<b>133.4</b>	<b>163.1</b>	<b>177.2</b>
	2019 Oct	190.3	156.6	280.4	126.9	142.4	179.4
	Nov	194.8	165.7	277.0	132.7	144.9	183.8
	Dec	199.1	172.7	276.6	134.4	149.9	187.3
	2020 Jan	197.7	165.8	282.6	136.5	155.1	184.6
	Feb	187.0	146.0	281.6	151.1	149.5	177.4
	Mar	150.4	86.7	273.3	131.9	143.2	149.5
	Apr	131.6	50.6	281.2	112.5	140.9	132.3
	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	327.1	334.1	154.3	184.8
	Oct	191.7	116.1	324.5	255.9	164.7	181.1

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## All-Commodity Index

Nominal US\$-Terms

(2003 = 100)

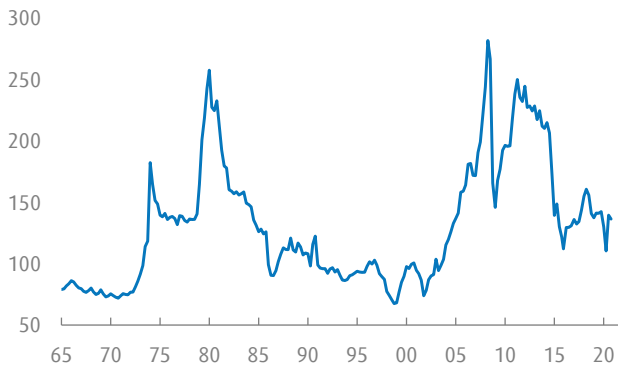


Source: BMO Economics

## All-Commodity Index

Real US\$-Terms

(2003 = 100)

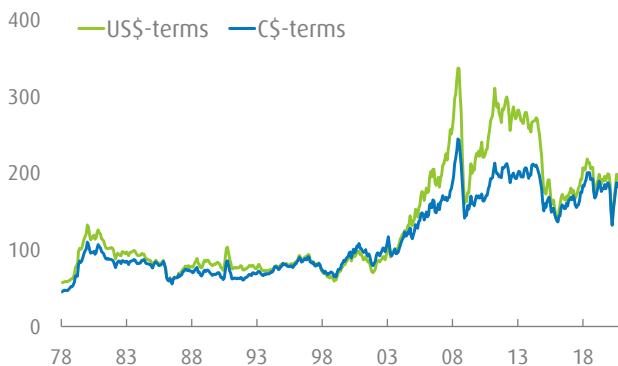


Source: BMO Economics

## 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
<b>Metals &amp; Minerals</b>	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
<b>Oil and Gas</b>	54.6	100.0
Crude Oil	47.6	87.2
Canadian Natural Gas	7.0	12.8
<b>Forest Products</b>	6.5	100.0
Lumber	5.5	84.1
OSB	1.0	15.9
<b>Agricultural Products</b>	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
<b>All Commodities</b>	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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