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Global warming of commodity prices

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ALMOST twice as many commodities look set to rise in price to 2012 than to fall. Allan Trench relays the latest in commodity price 'climate change' rankings from CRU Analysts.



It is crystal ball time again, this week comparing July 2010 commodity prices against their forecast annual averages for 2012 across a range of different metals and minerals.

Such foresight is far from simple, of course, and, I would suggest, beyond the abilities of a single analyst. To address that challenge your scribe has enlisted the help of his numerous friends at CRU Group – for which thanks to all are in order.

After a little number-crunching, the pattern that emerges when compiling the CRU forecast 2012 commodity price data is a relatively simple one. Simple in that a global warming of average commodity prices from current levels is indicated by 2012.

Taking a somewhat polarised view on the forecasts across the 23-strong commodity dataset, the answer is clear-cut (no doubt far more decisive than the upcoming Australian Federal Election results): 15 mineral commodities are forecast to rise to 2012 whereas 8 are forecast to weaken in price by that time.

To the results themselves below: however please note that one important change applies to the names of 'climate change' classifications used this time around in the compilation.

The categories of 'warming' and 'cooling' have been subjected to the KISS principle – meaning Keep It Simple Stupid (or perhaps KISA – Keep it Simple Allan).

Commodities are now flagged as either Hot, Warm, Cool or Cold – simple as that. Why exactly?

An overseas colleague pointed out recently that presenting commodity price climate zones termed Torrid, Warm Temperate, Cool Temperate and Frigid to an international audience may confuse translators.

Given your scribe has no inkling of how to translate those words in Chinese, Esperanto or even Welsh (my home tongue), I have taken this as good counsel. So be it: Hot, Warm, Cool and Cold it is then (although I cannot translate those words either).

The term 'Hot' needs little explanation, but by way of guidance, hot suggests an escalation in price exceeding 15-20% by 2012.

Prices forecast to rise in value up to 15-20% from current levels are now termed 'warm' – with a corresponding 'cool' definition for a decline of up to 15-20%.

Finally, those commodities forecast to soften in price by more than 15-20% by 2012 from prevailing 2010 prices are tagged with a 'cold' label.

This is not to say that good money cannot be made in such markets of course – merely that prices are forecast to cool off, in some cases from what are now very strong price levels by historical standards. All relative prices were referenced to US dollars.

Here are the latest rankings, with commodities listed alphabetically within each category. Some perennial strong performers top the list, but also the odd surprise and potential turnaround story.

Global warming is an apt label given that most commodities fall into the category forecast to warm in price by 2012.

Hot:

Bauxite
Iron Ore
Lead
Metallurgical Coke

Tin
Uranium

Warm:

Alumina
Aluminium
Copper
Gold
Manganese
Metallurgical Coal
Molybdenum
Nickel
Sulphuric Acid

Cool:

Platinum
Zinc

Cold:

Cobalt
Palladium
Phosphate
Silver
Sulphur
Vanadium

Good hunting.

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