



### KEY RECENT GLOBAL MARKETS DEVELOPMENTS AND THEMES



### **Currency dynamics**

- Fed signals possible rate cut in Sept, dollar against the ropes
- Yen garners momentum as BoJ turns hawkish
- BoE cuts policy rate by 25bp to 5.0%, 1st rate cut since 2020
- Non-Farm payrolls: expected to moderate from 205k to 175K, Printed 114K US unemployment rate at 4.1%. Printed 4.3%
- ZAR caught in the crosswinds. Where to from here?

#### **Geopolitical Trends**

- US Politics: probability of Trump winning 2024 Nov. elections falls to 50%
- Escalation in Middle East tensions, as Tehran threatens strike on Israel. Oil prices drop below \$80/bbl again, investors will be closely watching developments.





## **KEY CYCLICAL GLOBAL THEMES (1/2)**



### · Higher real and nominal interest rates to weigh on global activity

- Technical recession or recession-like conditions in many developed countries
- Divergence in US and European growth prospects; continued USD relative advantage in the near term
- US to avoid recession but growth to slow;

### Global inflation divergence

- US and DM Europe see inflation drift toward central bank targets by 2025, but divergent near-term.
- Japanese inflation to lift in 2024; fall in 2025
- China deflationary impulse in 2024 but prices lift in 2025
- Commodities supply constraints present prominent upside risks to inflation trajectory

### Major Central Banks to start a mild rate cutting cycle in 2024, but DM real rates elevated compared to pre-covid

- US and DM Europe continue to be somewhat synchronised but focus on spot data and/or cautious starts risks faster easing later
- Fed to start lowering rates in Q3 2024: cut towards 3% by 2026.
- ECB to hold rates after June cut; cut towards 2.5% by 2026; BoE to cut rates from August towards 3.5% by end-2025
- BoJ to lift policy rates gradually from zero bound to 0.25% by 2026; allow 10-year yield to lift gradually to 1%

## **KEY CYCLICAL GLOBAL THEMES (2/2)**

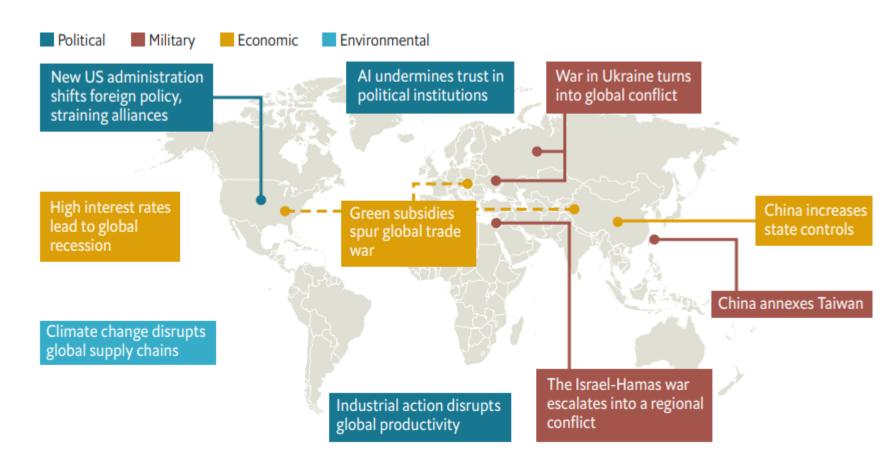


- Geopolitical tensions to persist for some time, risk premia in respective financial and commodity markets
  - Middle East situation to remain contained within current boundaries; Israel mostly focus on Iranian proxies rather than bilateral warfare, cognizant of Western pressure.
  - Russia-Ukraine conflict to remain as 'war of attrition' no direct NATO involvement.
  - US-China de-coupling and tariffs to continue, risk of acceleration dependent on the US election outcome.
- Upside trend break in global real commodity cycle, suggests early upturn in commodity prices
  - Weak CAPEX cycle means supply to lag demand, supporting prices over the medium- to long-term.
  - Significant upside risks geopolitics, supply chain disruption, sanctions, protectionism, tariffs
- China momentum to continue in the near-term but confidence remains weak
  - Rebound in equity markets has fizzled out, weighing on household and investor sentiment
  - Structural industrial overcapacity amid stubbornly high investment rate to drive PPI deflationary dynamics
  - Economic growth anchored by strong export volume growth but growth momentum going forward facing headwinds from constraints on manufacturers profit margins as well as economic sanctions from US and recently Eurozone

## RISK TO THE GLOBAL OUTLOOK



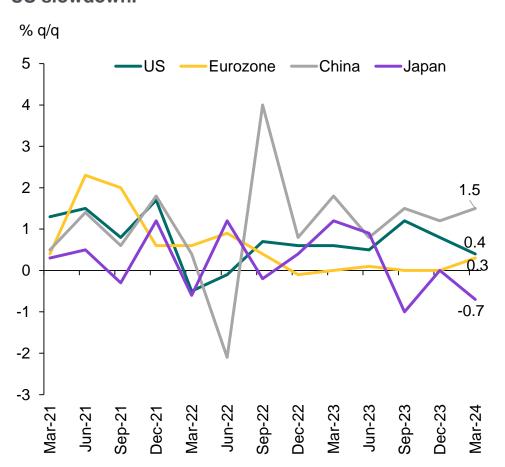
Global economy at risk from rising US interest rates, geopolitical tensions, and oil price shocks



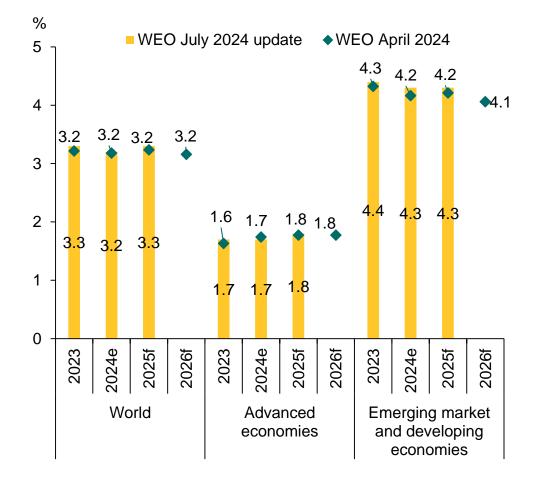
## EMERGING MARKETS TO DRIVE GLOBAL GROWTH IN 2024



Global economic growth in 2Q24 surpassed expectations, despite geopolitical tensions and a sharper-than-expected US slowdown.

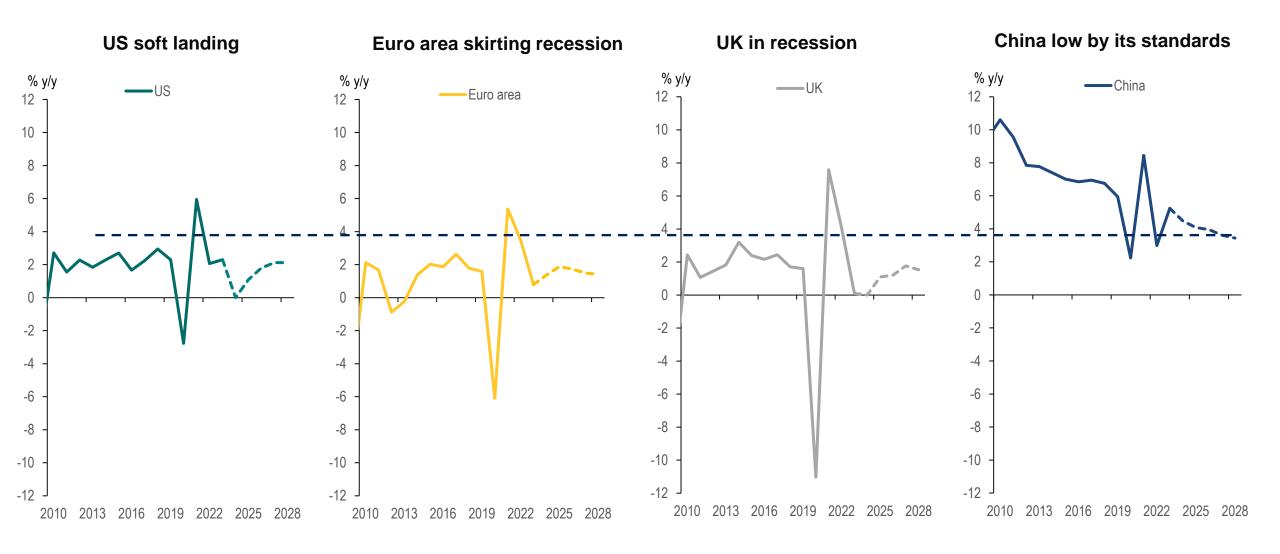


IMF maintains global growth forecast at 3.2% for 2024 and 3.3% for 2025, driven by strong growth in emerging markets, especially in Asia.



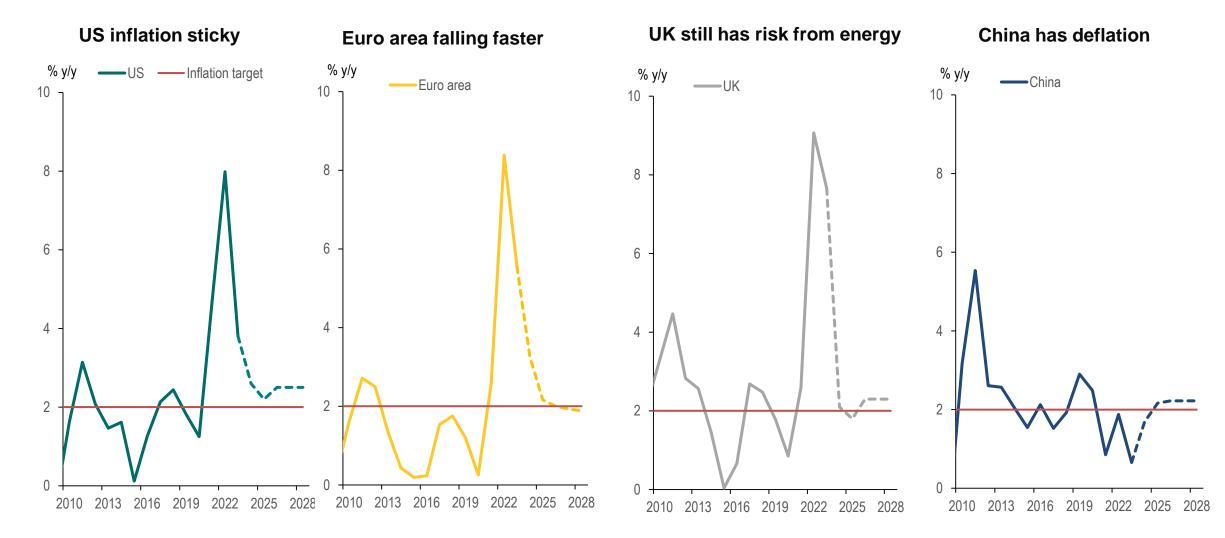
## GROWTH DIVERGING, WITH SOFT LANDING IN THE US AND RECESSIONARY ENVIRONMENT IN EUROPE





## GLOBAL INFLATION MODERATING AT DIFFERENT PACE ACROSS MAJOR COUNTRIES



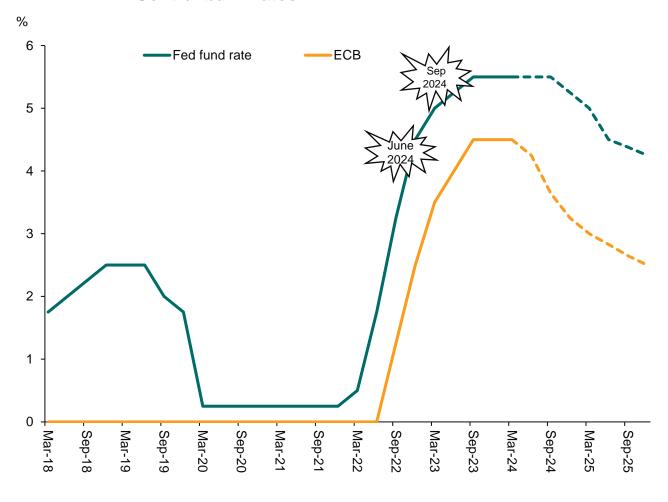


## CUTS ARE COMING





### **Central bank rates**

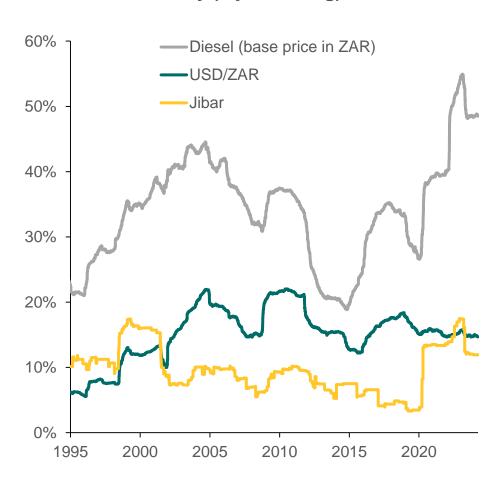


Note: Dashed lines represent forecast

### CHANGED AND HEIGHTENED RISKS



### Cross asset volatility (3-year rolling)

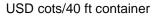


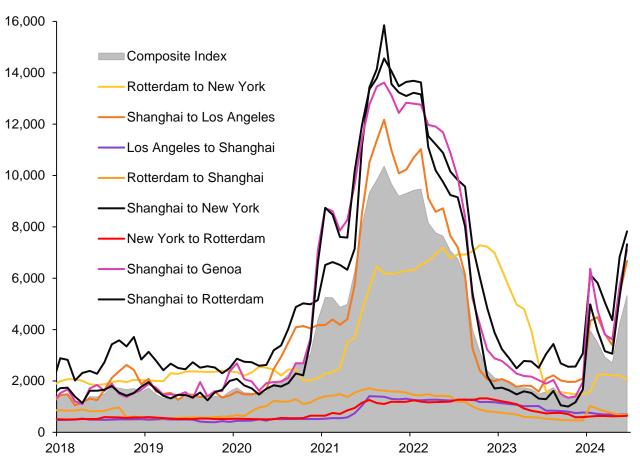
- Global market volatility has jumped over the past few years
- Covid, inflation, Ukraine have contributed but many believe that the change is structural and here to stay
- S.A. interest rate volatility has jumped and is now as high as that in the rand
- Commodity price volatility has risen. Diesel prices in rands terms has had record high volatility
- Corporate risk management needs to adjust to this new reality, by paying increased attention to interest rate and commodity risk.

## GEOPOLITICAL TENSIONS THREATEN GLOBAL DISINFLATION VIA SUPPLY CHAIN DISRUPTIONS

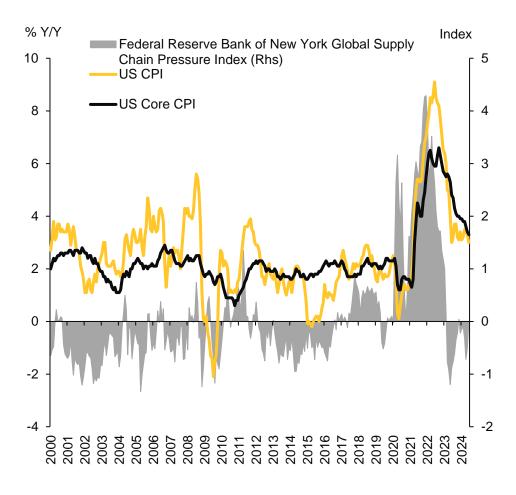


### Supply chain disruptions in key maritime routes, exacerbated by geopolitical events





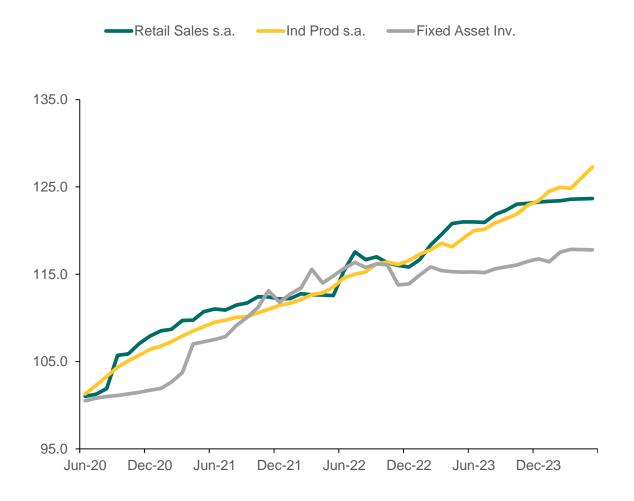
### Current supply chain pressures remain below COVID-19 peak levels



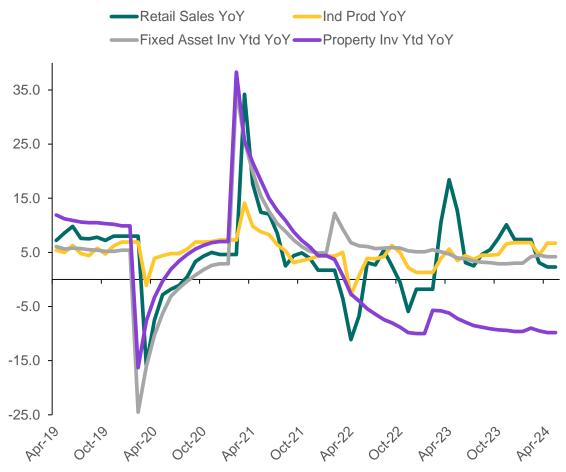
## CHINA ACTIVITY – TRADE TENSIONS POSE RISKS TO DOWNSTREAM INDUSTRIAL ACTIVITY



### China sector activity: m/m growth trends



### China sector activity: y/y growth trends

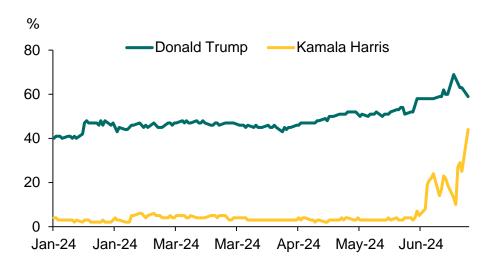


## DECODING THE LATEST GLOBAL POLITICAL DEVELOPMENTS: TRUMP 2.0

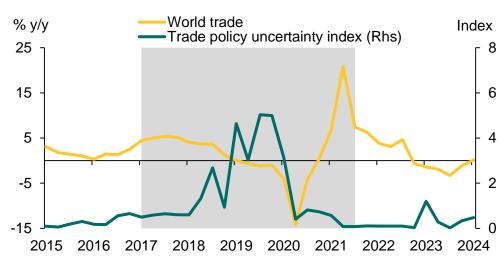


- A potential Trump presidency in the US could lead to tax cuts, increased trade protectionism, and looser regulatory policies.
- Trump's policies may result in weaker US Treasuries, a stronger dollar, positive impact on equities, potential weakening of oil prices, and a rise in cryptocurrency values.
- Stricter immigration policies could increase wage inflation in the US, potentially leading to higher interest rates for a longer period globally.
- Trump's potential withdrawal from the Paris Climate Accord could hinder global low-carbon energy transition efforts.
- These political shifts could contribute to structural inflation and delay efforts to reduce it, while also impacting the transition to renewable energy sources.

### The likelihood of a Trump was around 60% just a week ago



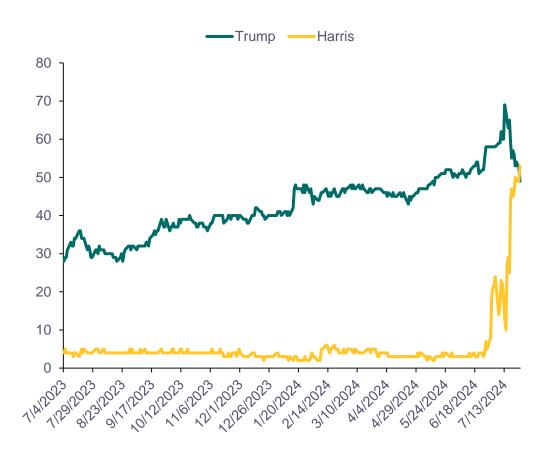
#### A trade war would depress international trade



## US POLITICAL UPDATE: MAJOR SHIFT IN THE NOV'24 ELECTORAL RACE



### Implied probability of winning November 2024 US elections: Harris surpasses Trump



### **Outline of Kamala Harris' key policy positions:**

- Environment (Harris presidency is bullish base, critical minerals)
  - Seeking the 2020 nomination, Harris said she would ban fracking and pursue the Green New Deal, a sweeping progressive effort to shift the country toward renewable energy.

### Foreign policy:

- Being a loyal deputy to Biden, policies would likely for the most part be an extension of the Biden administration's approach to foreign policy. Has delivered warning to adversaries, underscoring commitment to allies in Europe, Asia and Middle East.
- Unanswered questions include whether Harris agrees with Biden's promise to defend Taiwan if it came under attack
- It's not clear if Harris favors expanding export controls to block China's access to advanced U.S. technology or would ease some of the tariffs that are hurting industries in the U.S
- if Israel was prepared to strike Iran's nuclear program, there's no clarity on how Harris would position the U.S.





### DOLLAR: BELOW LONG-TERM RISING CHANNEL AND POISED TO WEAKEN FURTHER



DXY indicated downside target at 102.17 still in play but parabolic signals reversal back into weakening trend next week





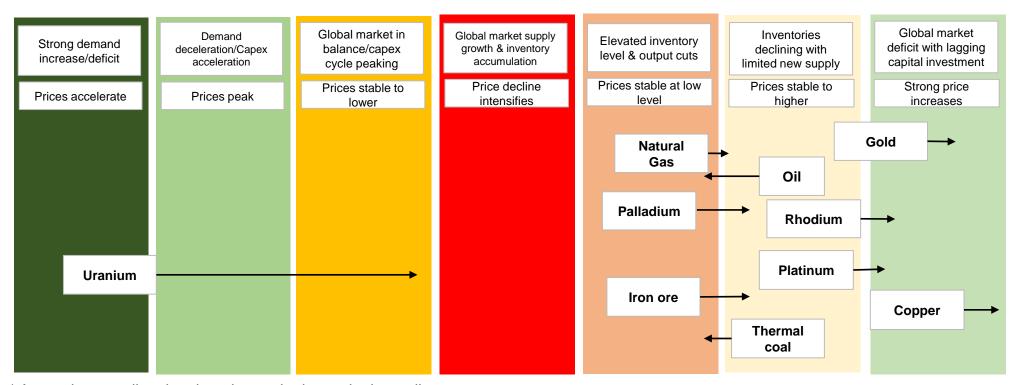


### POSITIONING OF KEY COMMODITIES IN THE FUNDAMENTAL CYCLE



### Muted supply growth expected to support commodity prices amid heighted global macroeconomic risks

One-year ahead forward view

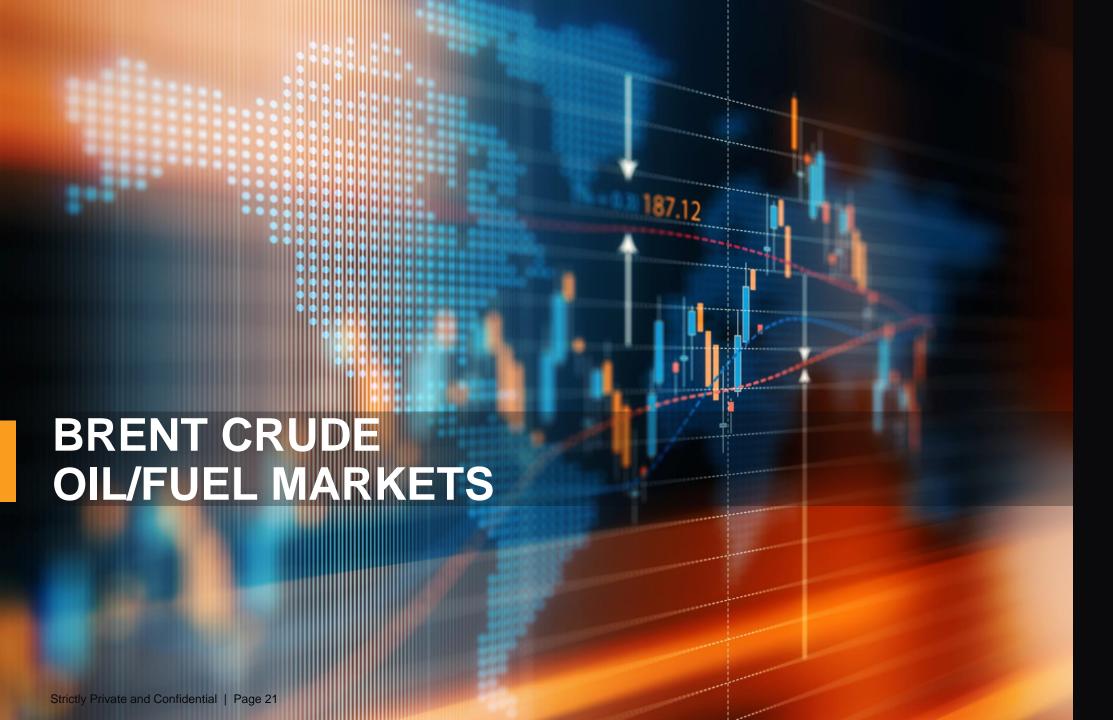


<sup>\*</sup> Arrow denotes directional market and price outlook, medium-term

## RMB COMMODITY FORECASTS



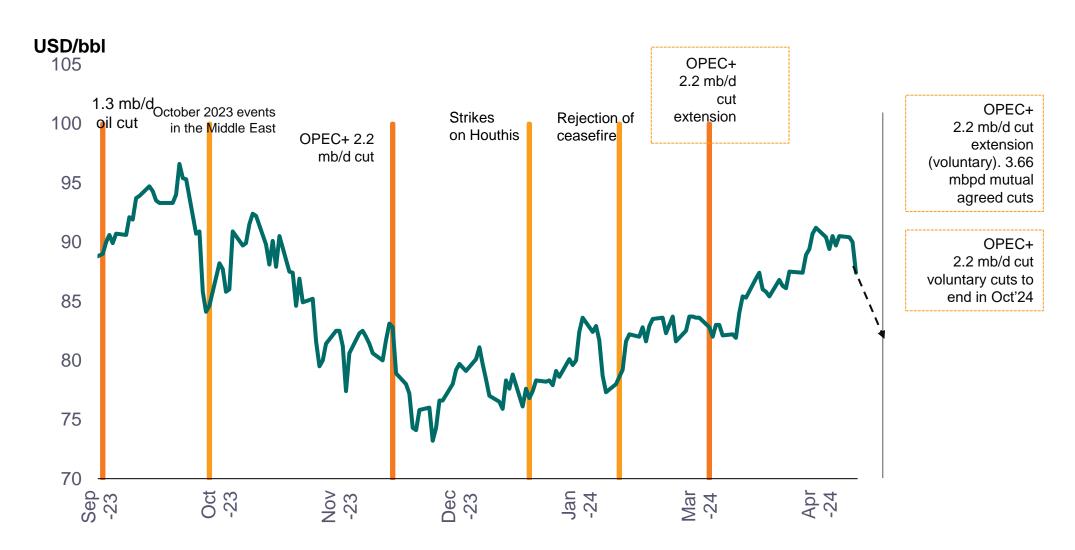
	FORECASTS															
COMMODITY	Mar- 23	Jun- 23	Sep- 23	Dec- 23	Mar- 24	Jun- 24	Sep- 24	Dec- 24	Mar- 25	Jun- 25	Sep- 25	Dec- 25	Mar- 26	Jun- 26	Sep- 26	Dec- 26
Gold, \$/oz	1,889	1,978	1,928	1,977	2,230	2,326	2,385	2,480	2,460	2,400	2,360	2,360	2,200	2,200	2,200	2,200
Platinum proposal, \$/Oz	995	1,026	931	916	940	960	1,030	1,100	1,145	1,145	1,180	1,200	1,306	1,430	1,450	1,480
Palladium, \$/Oz	1,567	1,445	1,250	1,094	1,050	1,090	1,100	1,110	1,125	1,150	1,175	1,000	1,000	1,000	1,000	1,000
Rhodium, \$/Oz	10,940	7,032	4,097	4,462	4,700	4,700	5,100	5,100	5,750	6,100	6,100	5,500	5,500	5,500	5,500	5,500
3PGM basket (57% Pt, 36% Pd, 7% Rh)	1,897	1,597	1,267	1,228	1,243	1,304	1,410	1,454	1,530	1,546	1,548	1,727	1,805	1,875	1,887	1,904
Copper, \$/t	8,932	8,469	8,366	8,166	8,835	9,625	9,900	10,150	9,880	9,880	10,025	10,425	11,080	11,280	11,480	11,580
Brent Crude Oil (\$/barrel)	78	75	94	78	85	84	85	82	80	78	75	73	74	75	76	77
Thermal Coal (Richards Bay, \$/t)	148	112	115	121	100	105	115	115	110	108	106	104	103	101	99	97
Aluminium, \$/t	2,411	2,148	2,352	2,379	2,300	2,540	2,550	2,550	2,560	2,615	2,670	2,725	2,780	2,835	2,890	3,000
Iron ore, \$/t	148	112	115	121	100	105	115	115	110	108	106	104	103	101	99	97





## BRENT CRUDE OIL – KEY DEVELOPMENTS AND MARKET DYNAMICS

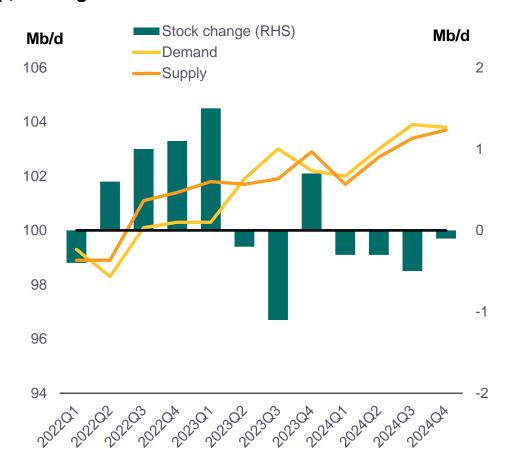




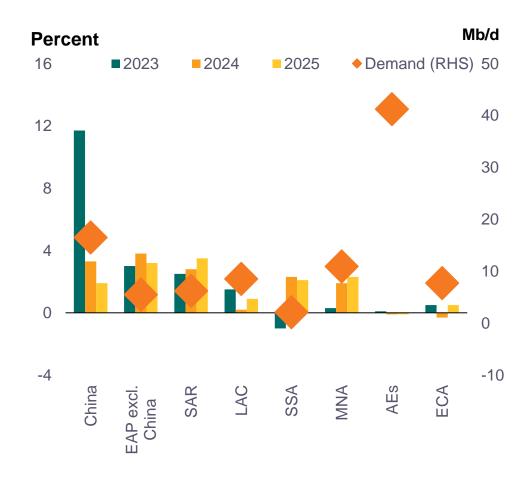
## BRENT CRUDE OIL – FUNDAMENTALS AND REGIONAL DEMAND



### Structural deficit expected to narrow as OPEC+ ramps up, China growth slows



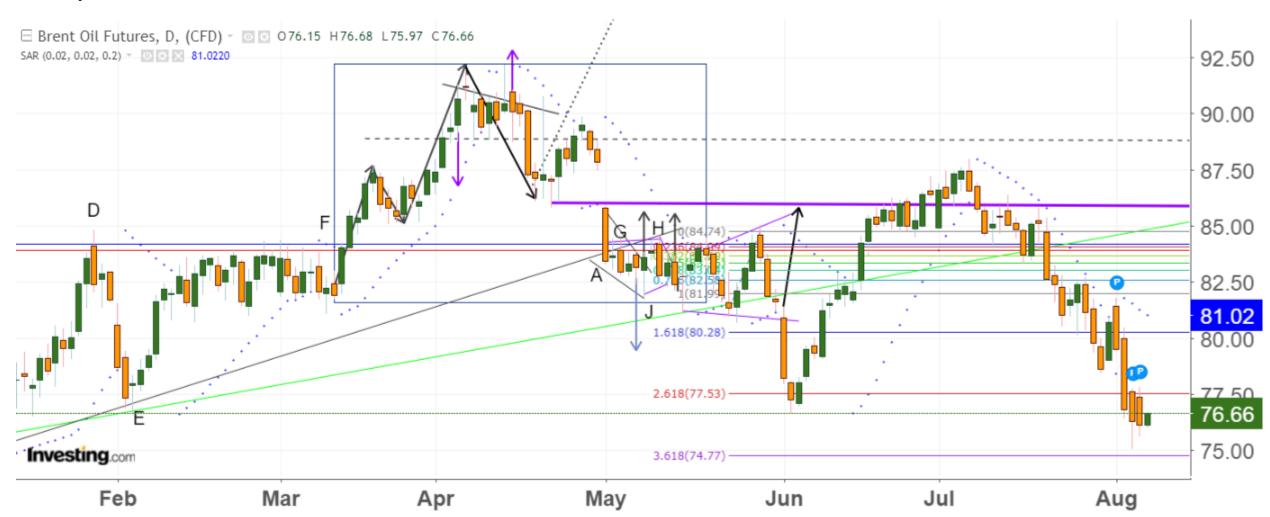
### China accounts for the bulk of regional oil demand and is well below 2023



## OIL PRICES: WEAK CHINA SENTIMENT WEIGHS AS MANUFACTURING ACTIVITY CONTRACTS



Geopolitical risks back in focus, move to \$84/bbl? Then \$88/bbl?

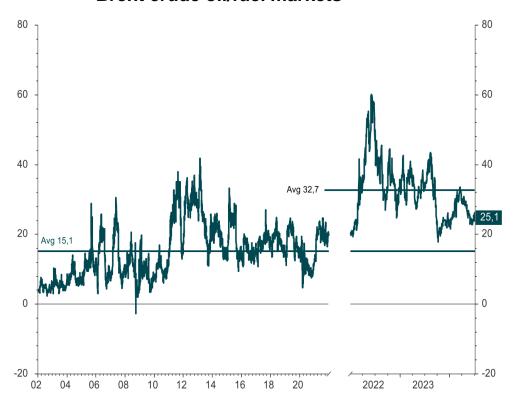


## GLOBAL PRODUCT CRACK SPREADS NORMALIZING TOWARD LONGER-TERM PATTERNS



3-2-1 (3 crude oil barrels, 2 gasoline barrels, 1 diesel barrel) crack spread compression

#### Brent crude oil/fuel markets

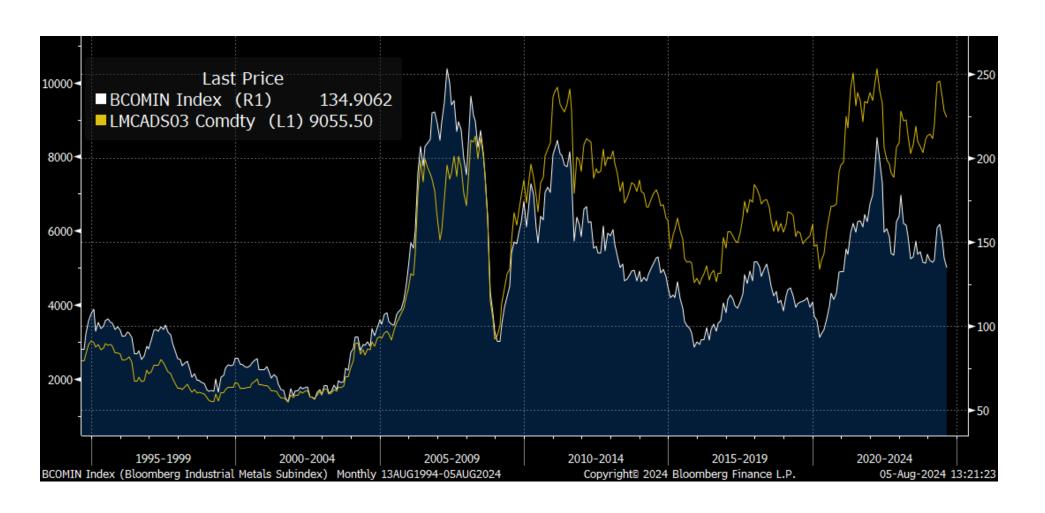






### COPPER PRICE VERSUS INDUSTRIAL COMMODITY INDEX

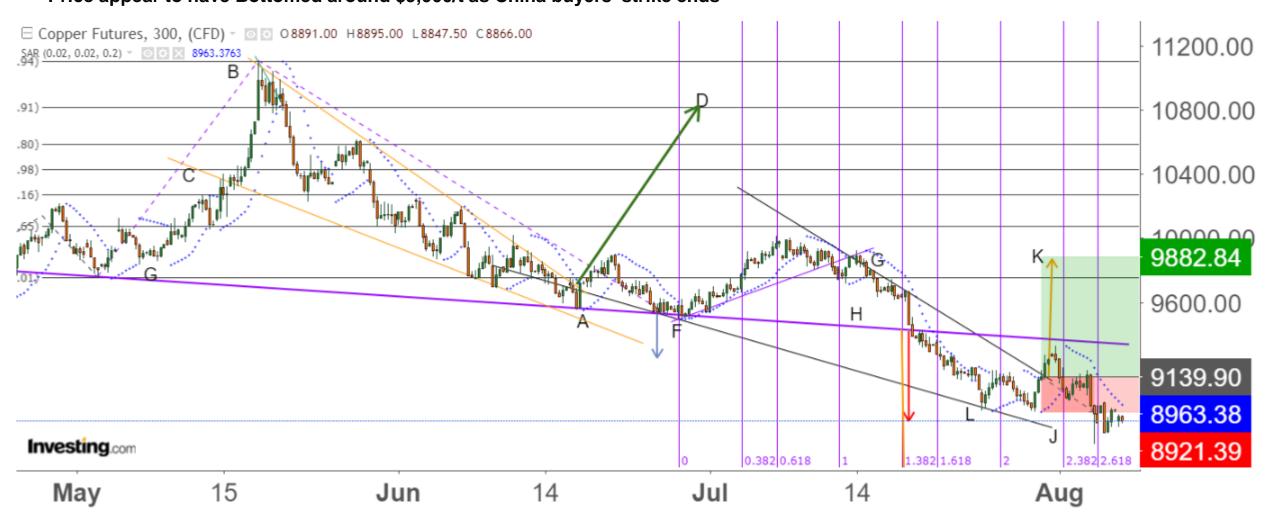




## WHAT IS DR. COPPER TELLING US ABOUT CHINA'S ECONOMY?



### Price appear to have Bottomed around \$9,000/t as China buyers' strike ends



## COPPER FUNDAMENTALS – LOW CARBON TRANSITION TO DRIVE LONG-TERM COPPER DEMAND GROWTH



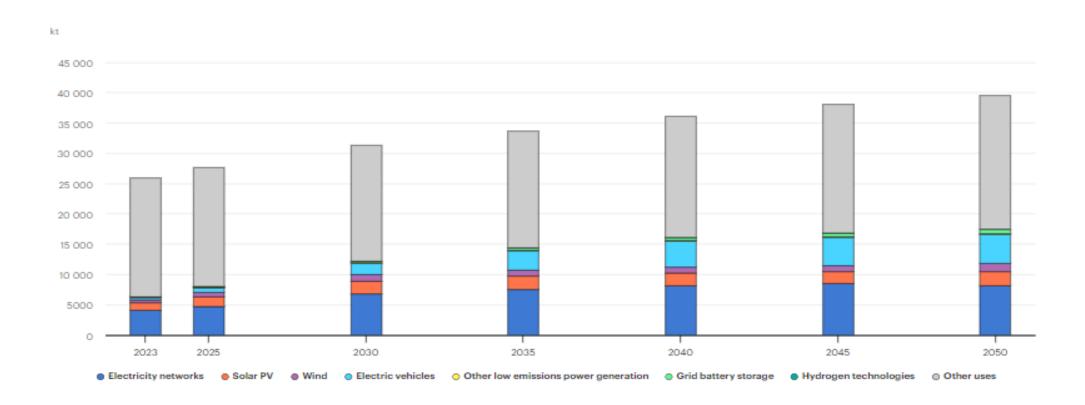
Metals intensity of renewable energy technologies: copper is the common denominator

Energy system	Wind	Solar PV	CS*	Hydro	Geothermal	Energy Storage	Nuclear	Carbon Capture & Storage
Aluminium								
Chromium								
Cobalt								
Copper								
Graphite								
Indium								
Iron ore								
Lead								
Lithium								
Manganese								
Molybdenum								
Neodymium								
Nickel								
Silver								
Titanium								
Vanadium								
Zinc								

## COPPER DEMAND – LOW CARBON TRANSITION TO DRIVE COPPER DEMAND GROWTH



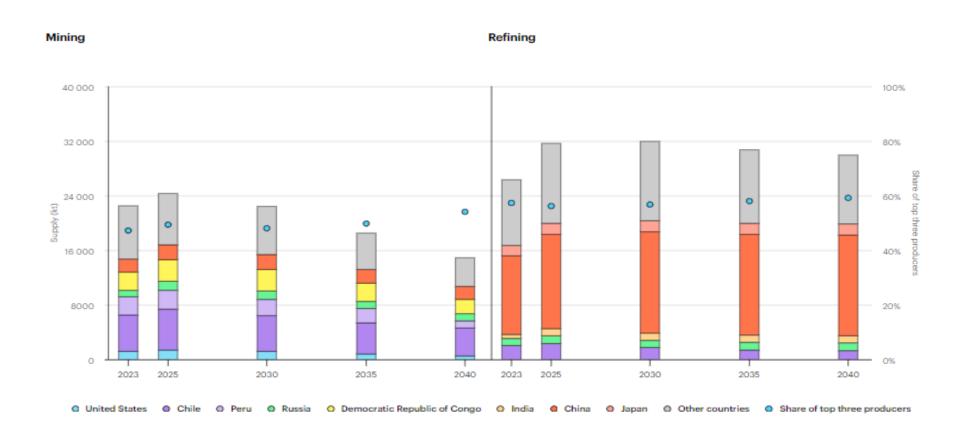
Projected global copper demand based on IEA accelerated transition scenario



## COPPER SUPPLY- CONSTRAINED OVER THE MEDIUM-TERM



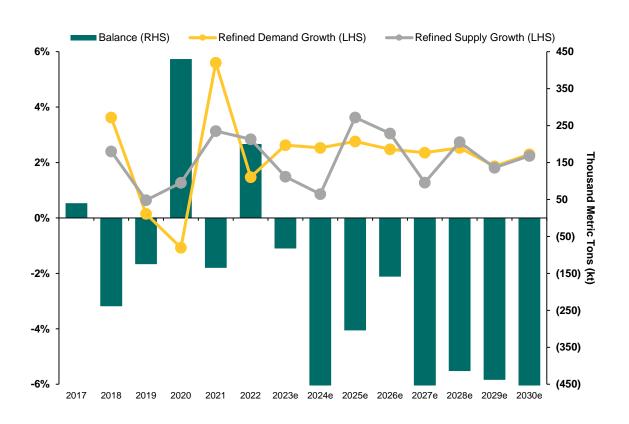
Falling primary concentrate mine production constrains refined copper output



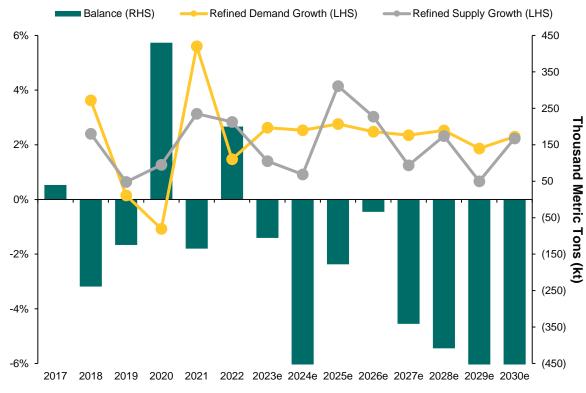
## SUSTAINED DEEP STRUCTURAL SUPPLY DEFICIT IS PROJECTED IN THE COPPER MARKET



### Previous copper structural model



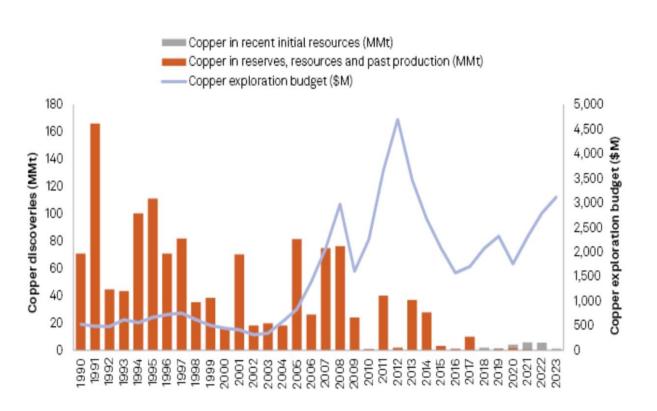
### Weaker China physical demand and increased scrap flows reduce expected near-term structural deficits



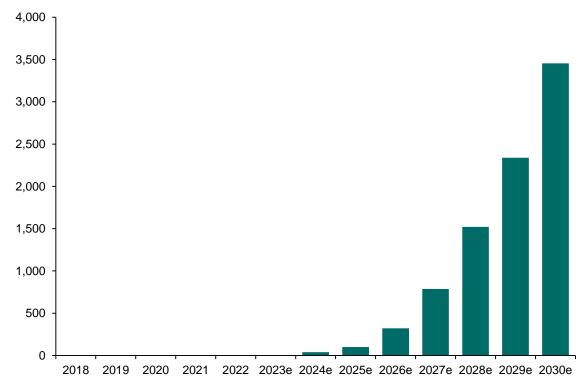
## COPPER FUNDAMENTALS – NEW SUPPLIES HARDER TO FIND WHILE DEMAND EXPECTED TO INCREASE



Major global copper discoveries have fallen dramatically despite increased exploration expenditures



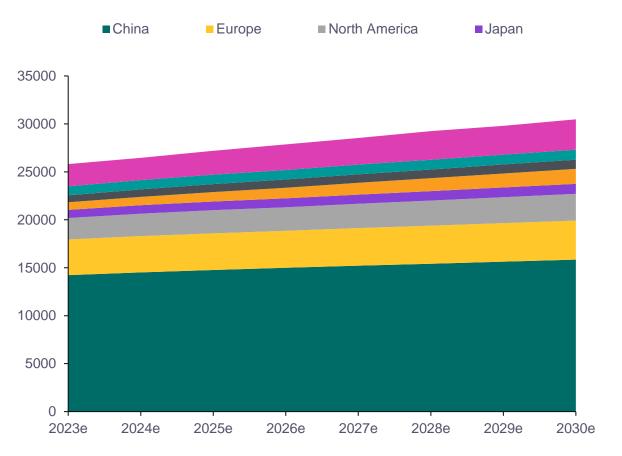
Planned on streaming of new copper mine supplies inadequate to meet anticipated demand growth



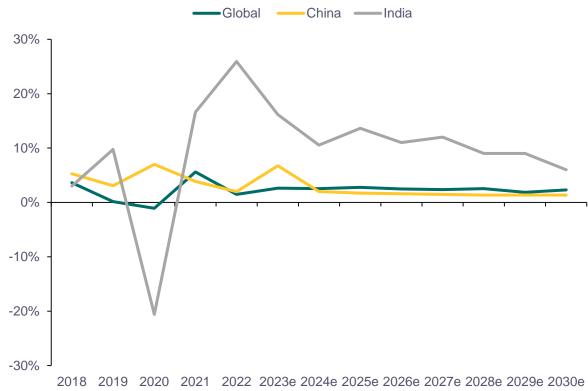
## COPPER REFINED DEMAND OUTLOOK (POTENTIAL LATER GLOBAL TRANSITION SCENARIO POSES RISES TO DEMAND OUTLOOK)



### Global refined copper demand outlook (Kt)



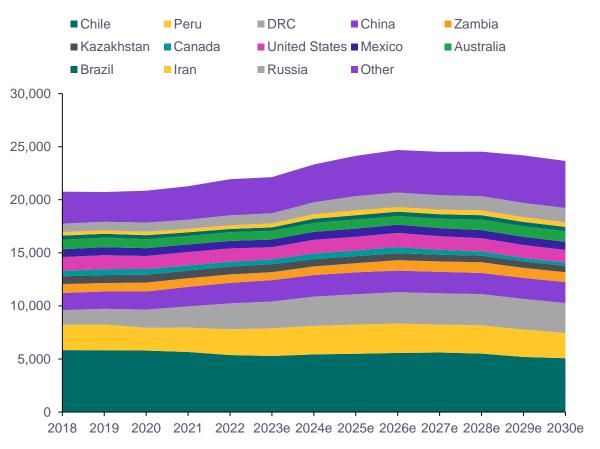
### Robust copper demand growth rates driven by electrification demand growth in India



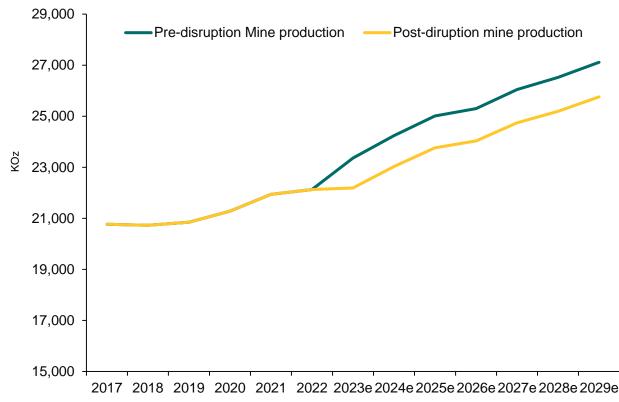
### COPPER SUPPLY OUTLOOK – PRE-DISRUPTION MINE PRODUCTION TO LAG DEMAND GROWTH



### Global copper mine production outlook (Kt)



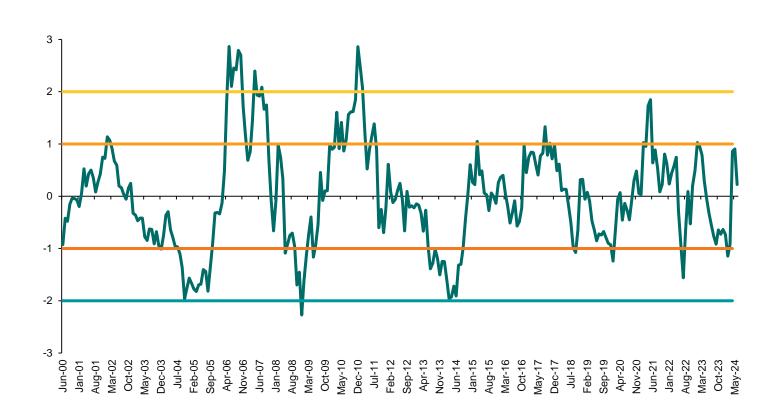
An even weaker production prognosis allowing for a disruption allowance of 5% over the outlook horizon



## PRICE DECK UPDATE - RECENT COPPER PRICE WEAKNESS TRACKING CLOSE TO FV ESTIMATE



Fundamental copper valuation: current fair-value estimate is \$9,345/t. Market price residual reflects speculative fund flows



Dependent Variable: COPPER\_LME Method: Least Squares

Date: 06/26/24 Time: 14:55

Sample (adjusted): 2000M06 2024M04 Included observations: 287 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
С	7446.786	752.3069	9.898600	0.0000
@MOVAV(COMEX_INV,6)	-0.001765	0.000645	-2.736104	0.0066
@MOVAV(CHINA_ELEC,6)	2.351401	0.656502	3.581713	0.0004
DXY	-65.12391	7.024815	-9.270551	0.0000
NASDAQ	0.201597	0.029299	6.880646	0.0000
BRENT	40.11098	2.747390	14.59967	0.0000
R-squared	0.882313	Mean depen	5943.611	
Adjusted R-squared	0.880219	S.D. depend	ent var	2469.075
S.E. of regression	854.5329	Akaike info c	16.35967	
Sum squared resid	2.05E+08	Schwarz crite	16.43618	
Log likelihood	-2341.613	Hannan-Quir	16.39033	
F-statistic	421.3369	Durbin-Wats	0.200832	
Prob(F-statistic)	0.000000			

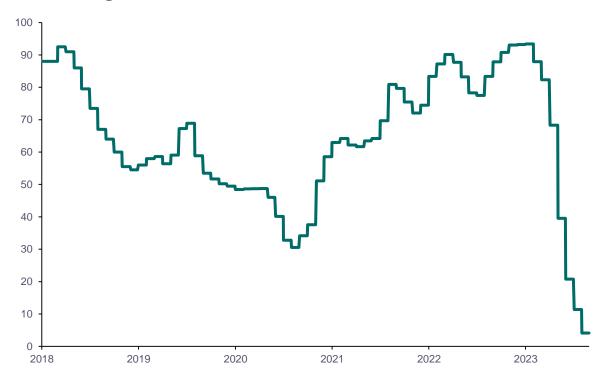
## STEEP DECLINE IN COPPER REFINING AND TREATMENT CHARGES AMID ACUTE CONCENTRATE MARKET DEFICITS



### Copper (long-term): a move above \$11,500/t LT is still likely.



### Steep decline in refining treatment charges supports bullish long-term bias







## **GOLD PRICES: LOOKING BEYOND \$2,500/OZ?**



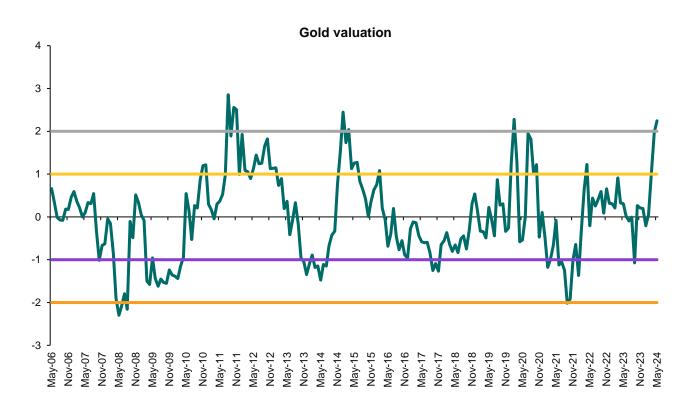
Key support \$2,330/Oz has previously attracted strong physical demand inflows from Asia. Resistance \$2,512/Oz



## GOLD VALUATION: FUNDAMENTAL OVER-VALUATION SUGGESTS POTENTIAL DOWNSIDE RISKS



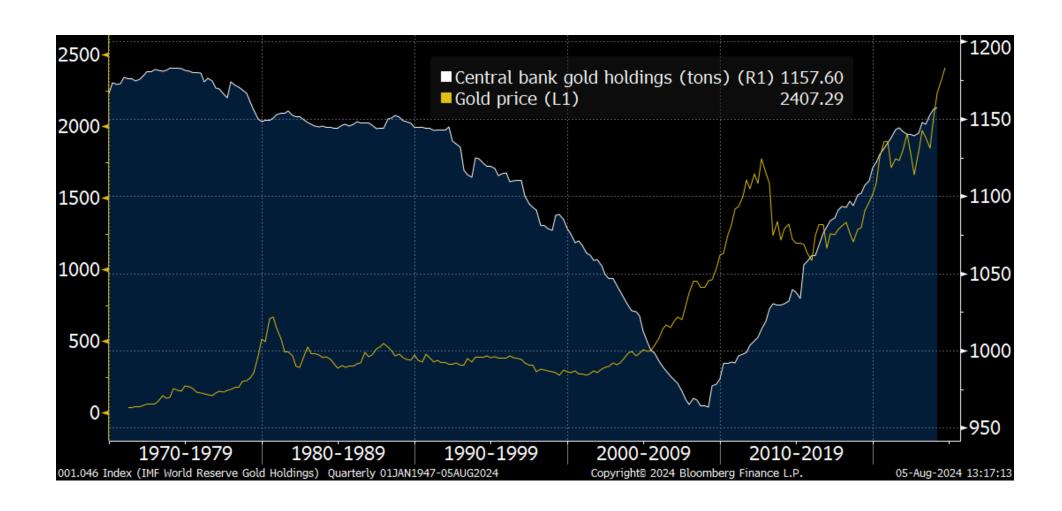
More than 2 standard deviations above fair-value estimate at \$2,044/0z. Spot market prices reflect elevated geopolitical risk premium



Variable	Coefficient	Std. Error	t-Statistic	Prob.
С	2031.733	157.2188	12.92296	0.0000
@MOVAV(XAU_12M_SWAP-XAU_3M_S	-215.6869	42.20686	-5.110234	0.0000
BRENT	6.029304	0.453335	13.29989	0.0000
G4_BS	0.063169	0.004812	13.12721	0.0000
@MOVAV(PBOC_HOLDINGS,3)	0.908778	0.213553	4.255508	0.0000
ECO_SURPRISE	-0.648811	0.312461	-2.076454	0.0391
CB_LI	-19.24532	1.564620	-12.30032	0.0000
SPX	-0.031193	0.033033	-0.944277	0.3461
ICE_MOVE	-2.096956	0.315046	-6.656022	0.0000
CFTC_NL	0.000575	0.000145	3.967583	0.0001
R-squared	0.900052	Mean depen	dent var	1365.437
Adjusted R-squared	0.895707	S.D. depend	ent var	389.1576
S.E. of regression	125.6765	Akaike info criterion		12.55029
Sum squared resid	3269479.	Schwarz criterion		12.70604
Log likelihood	-1351.706	Hannan-Quinn criter.		12.61321
F-statistic	207.1198	Durbin-Wats	on stat	0.351544
Prob(F-statistic)	0.000000			

### **GOLD PRICE AND CENTRAL BANK HOLDINGS**

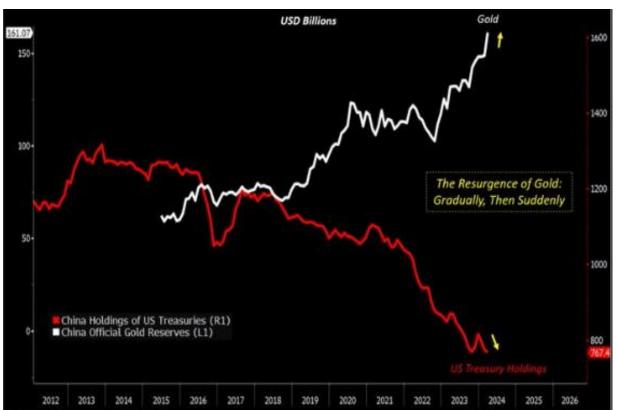




## GOLD PRICE DRIVERS – A STRUCTURAL SHIFT FROM MACROECONOMIC FACTORS



China is the center piece with its gold reserves still only 4% of international reserves...global benchmark is 8%.



Renewed gold ETF inflows after China announced pause to PBOC gold buying







### URANIUM – PRICE CORRECTION PRECIPITATED BY RAMPING OF GLOBAL PRODUCTION CAPACITY



Uranium market price developments (\$/lb): prices under renewed pressure after steep recent rally



- The secular decline uranium oxide (yellow cake) prices progressed through the first half of the year.
- Global market optimism has faded after receiving a beneficial uplift from renewed commitment to boosting global nuclear capacity following the UN COP 28 Climate Summit in November 2023. Global market uranium oxide prices subsequently lifted from \$50.3/lb to a cyclical peak above \$100/lb before a correction back to \$82/lb ensued to date.
- While the global uranium market remains in structural deficit near-term, a rapid ramping up in global production capacity from on streaming of new mines, largely in response to renewed global commitments toward nuclear energy, are expected to swing the market back into structural surplus heading into 2025.
- Underpinning support for the market, Kazatomprom, the world's largest uranium producer has cut its medium-term production guidance even as it reported a notable 7% y/y increase in production. The reduced guidance has been triggered by impact of the ongoing Russia-Ukraine conflict limiting access to key industrial material inputs into its production value chains which have adversely impacted capacity to deliver on prior guided production schedules.

## SUSTAINED GLOBAL MARKET SURPLUS TO WEIGH ON MARKET PRICES EVEN AS OUTLOOK ON DEMAND GROWTH IS CONSTRUCTIVE



#### **Global Market Balance model**

	unit	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Existing mine supply	ktU	47.3	47.3	50.7	54.9	59.4	67.4	74.1	74.6	74.5	75.0	75.2
	Mlbs	123	123	132	143	154	175	193	194	194	195	195
Mines supply from projects	ktU		0.0	0.0	0.0	0.0	0.9	2.0	3.2	4.1	5.1	5.7
New mines / Ramp-ups	Mlbs		0	0	0	0	2	5	8	11	13	15
Total Mine Supply	KtU	47.3	47.3	50.7	54.9	59.4	68.3	76.0	77.8	78.5	80.1	80.9
Total Mine Supply	Mlbs	123.0	123.0	131.7	142.9	154.4	177.6	197.7	202.3	204.1	208.2	210.3
YoY change	%	-13.3%	0.0%	7.1%	8.4%	8.1%	15.0%	11.4%	2.3%	0.9%	2.0%	1.0%
Secondary Supply	ktU	13.2	12.5	9.2	7.3	7.1	6.7	6.3	6.3	6.3	6.5	6.3
Secondary Supply	Mlbs	34.3	32.5	24.0	19.0	18.5	17.5	16.5	16.5	16.5	16.8	16.3
YoY change	%	22%	21%	15%	12%	11%	9%	8%	8%	7%	7%	7%
Total Supply	ktU	60.5	59.8	59.9	62.3	66.5	75.0	82.4	84.2	84.9	86.5	87.2
Total Supply	Mlbs	157.3	155.5	155.7	161.9	172.9	195.1	214.2	218.8	220.6	225.0	226.6
YoY change	%	-11.8%	-1.2%	0.2%	3.9%	6.9%	12.8%	9.8%	2.2%	0.8%	2.0%	0.7%
Global operating reactors		422	421	427	439	449	458	458	463	476	482	486
Global nuclear generating capacity	GWe	374	374	380	388	411	427	435	448	466	480	490
Reactor oxide requirements	ktU	65	65	66	68	72	74	76	78	81	84	85
Stockpiling	ktU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment demand	ktU	1.9	14.7	9.8	3.1	2.5	2.3	1.7	0.8	0.8	0.8	0.8
Generating Capacity Breakdown												
China	GWe	45	48	51	53	62	71	81	90	100	109	113
YoY change	%	6%	5%	6%	5%	17%	14%	14%	12%	10%	10%	3%
Japan	GWe	9	9	11	18	22	23	23	25	27	27	27
Total Demand	ktU	66.8	79.4	75.8	70.7	74.1	76.5	77.5	78.6	81.8	84.3	86.0
Total Demand	Mlbs	173.6	206.5	197.1	183.7	192.6	199.0	201.5	204.5	212.8	219.1	223.5
YoY change	%	-0.6%	18.9%	-4.5%	-6.8%	4.8%	3.3%	1.3%	1.5%	4.0%	3.0%	2.0%
Market Balance	ktU	-6.3	-19.6	-15.9	-8.4	-7.6	-1.5	4.9	5.5	3.0	2.3	1.2
Market Balance	Mlbs	-16.3	-51.0	-41.3	-21.9	-19.7	-3.9	12.7	14.3	7.9	5.9	3.1



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