

APOLLO

Outlook for commodity prices:
Moving higher driven by strong US growth, geopolitical uncertainty,
segmentation of global trade, and AI demand for energy

Torsten Slok and Rajvi Shah

Apollo Global Management

April 2024

Unless otherwise noted, information as of April 2024

Confidential and Proprietary - Not for distribution, in whole or in part, without the express written consent of Apollo Global Management, Inc.

It should not be assumed that investments made in the future will be profitable or will equal the performance of the investments shown in this document.

Legal Disclaimer

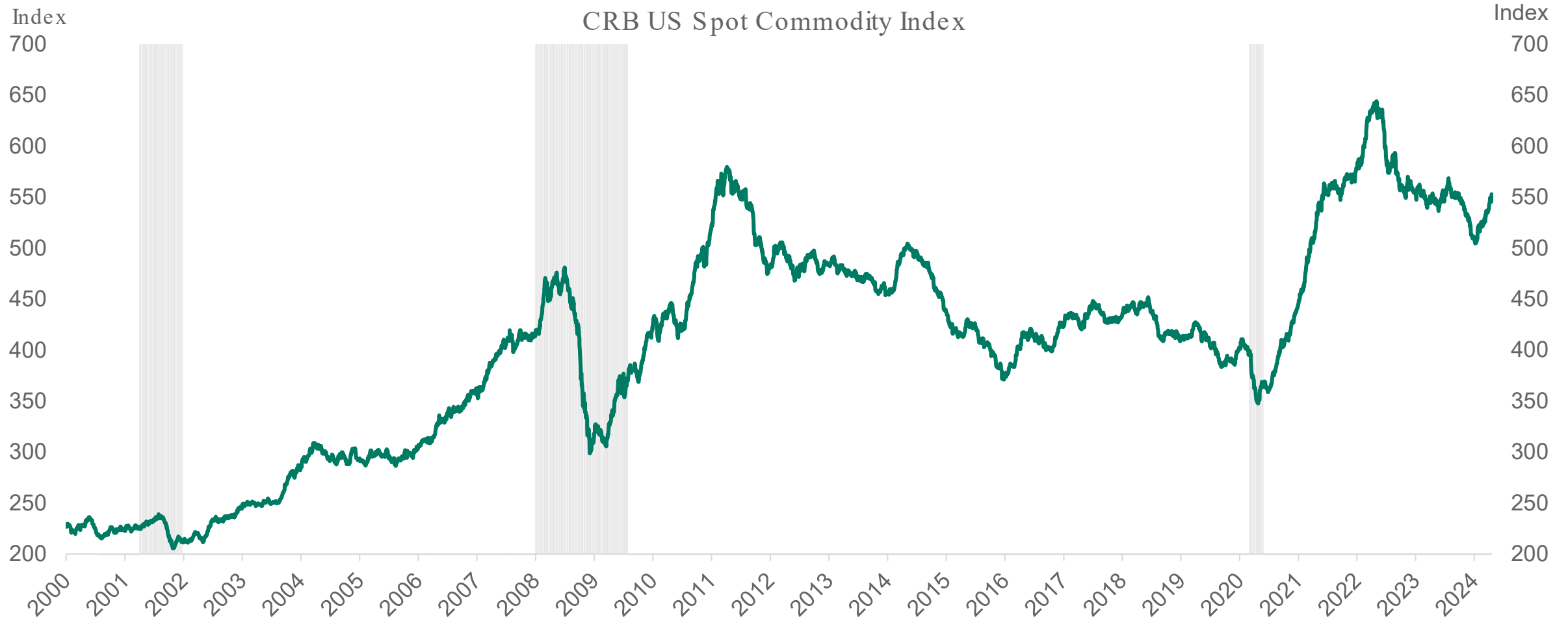
Unless otherwise noted, information included herein is presented as of the dates indicated. Apollo Global Management, Inc. (together with its subsidiaries, "Apollo") makes no representation or warranty, expressed or implied, with respect to the accuracy, reasonableness, or completeness of any of the information contained herein, including, but not limited to, information obtained from third parties. Opinions, estimates and projections constitute the current judgment of the author as of the date indicated. They do not necessarily reflect the views and opinions of Apollo and are subject to change at any time without notice. Apollo does not have any responsibility to update the information to account for such changes. Hyperlinks to third-party websites in these materials are provided for reader convenience only. There can be no assurance that any trends discussed herein will continue.

The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice and does not constitute an investment recommendation or investment advice. Investors should make an independent investigation of the information contained herein, including consulting their tax, legal, accounting or other advisors about such information. Apollo does not act for you and is not responsible for providing you with the protections afforded to its clients.

Certain information contained herein may be "forward-looking" in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking statements may be identified by the use of terminology including, but not limited to, "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology.



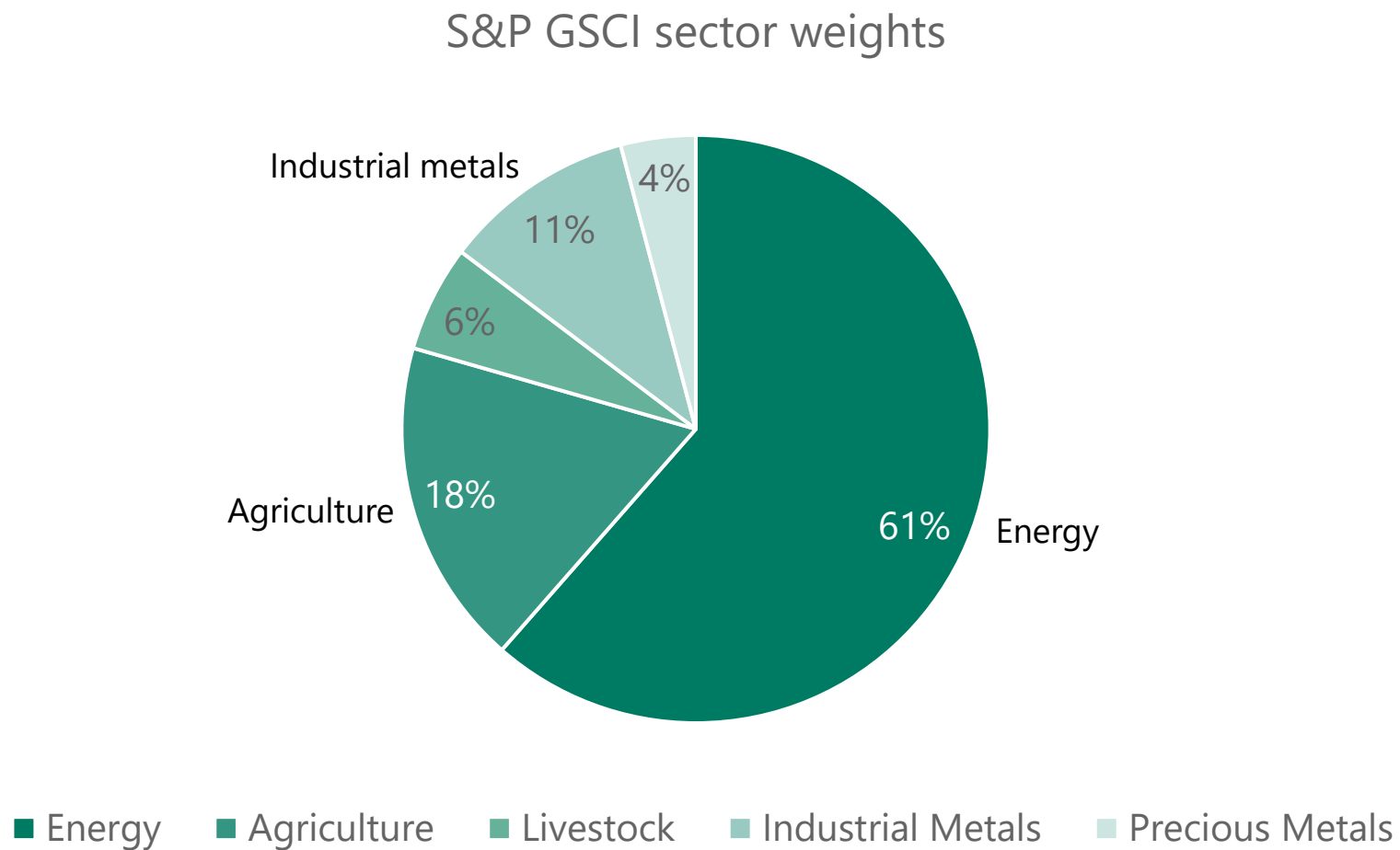
Commodity prices moving higher driven by strong US growth, geopolitical uncertainty, segmentation of global trade, and AI demand for energy



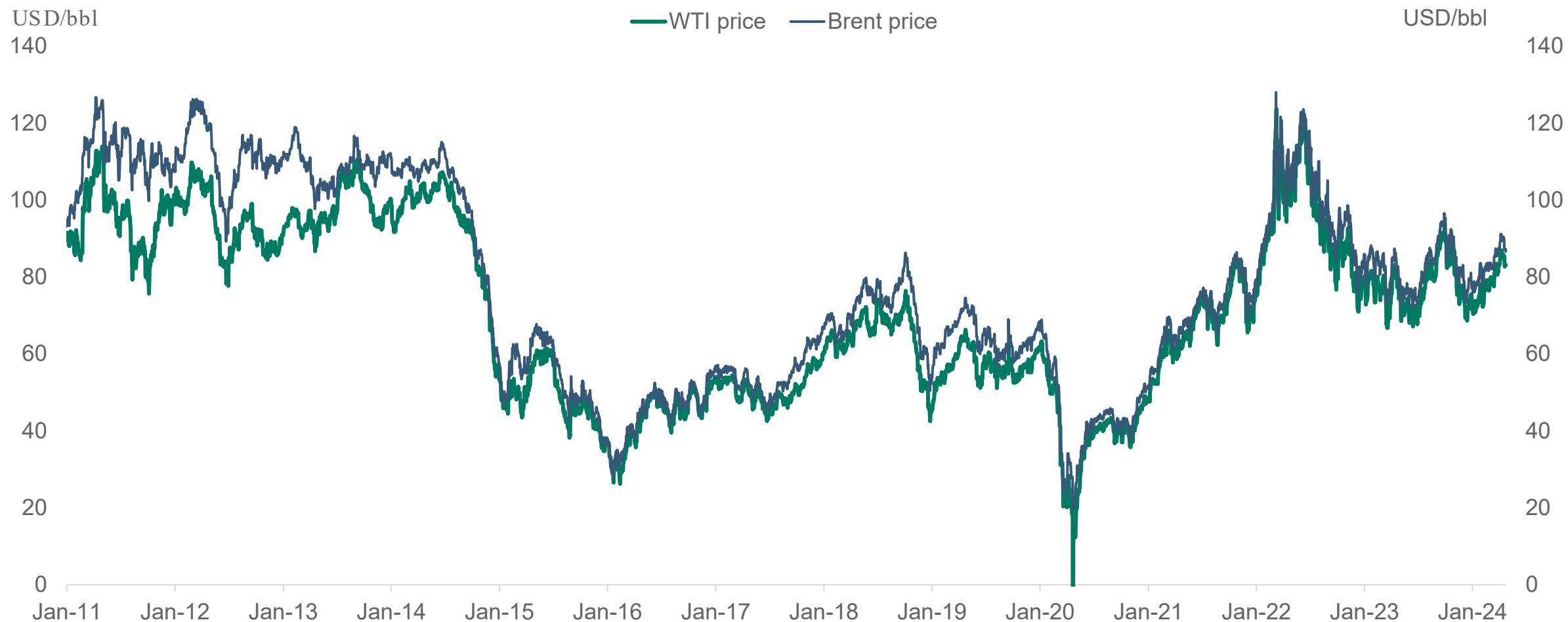
Overview



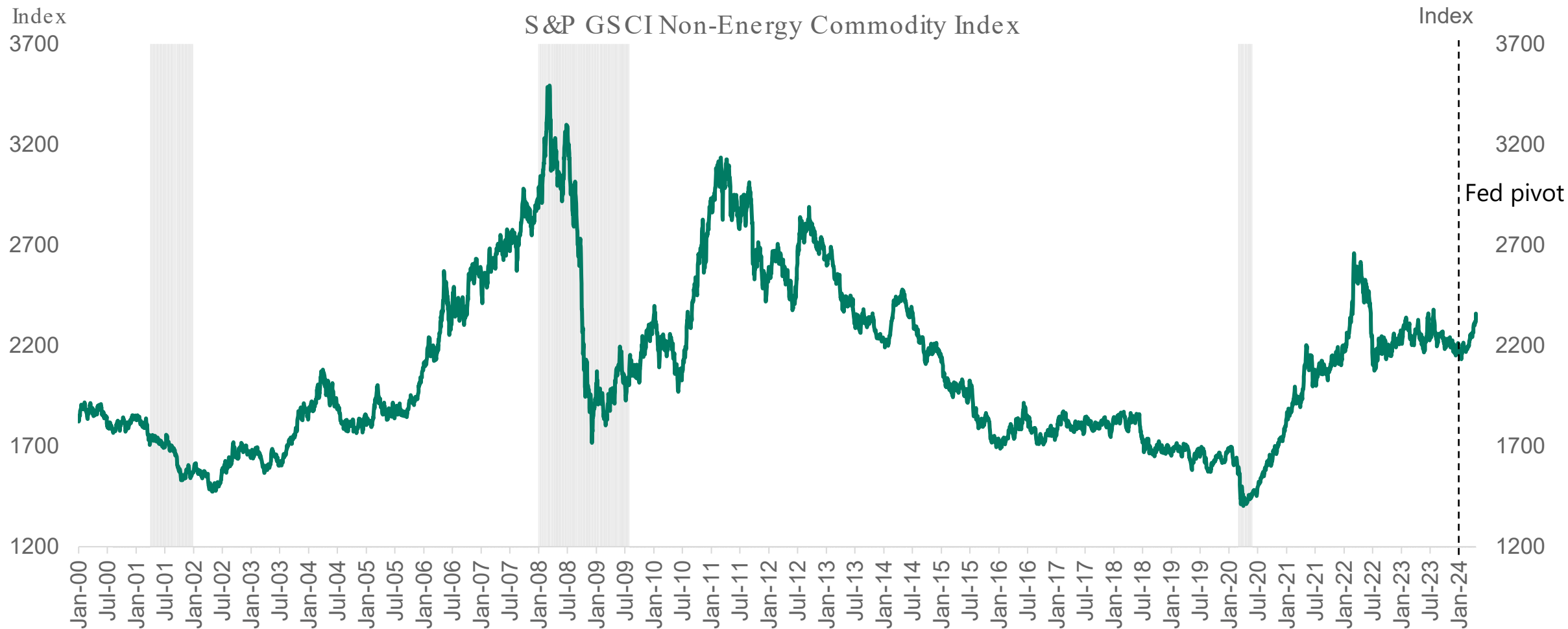
Energy has the biggest weight in commodity price indices



Oil prices moving higher driven by US growth reaccelerating, geopolitical uncertainty, and AI demand for energy



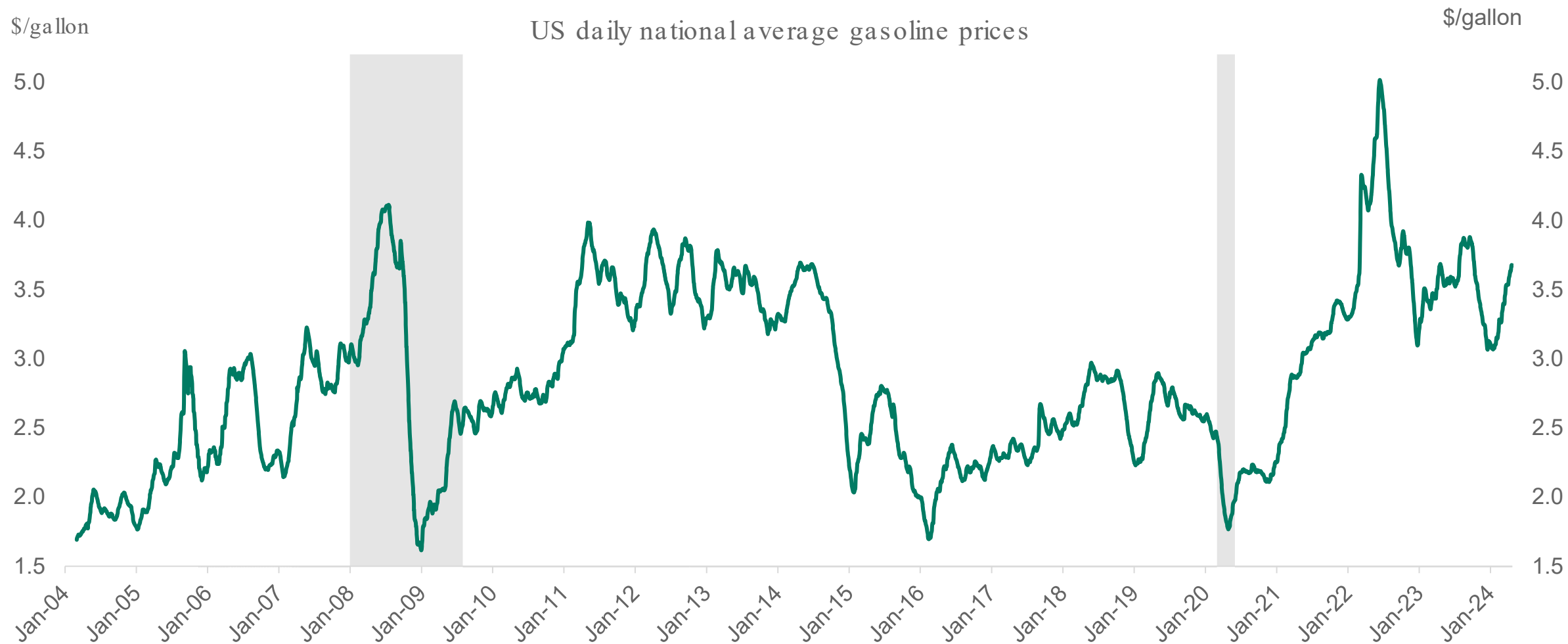
Non-energy commodity prices rising



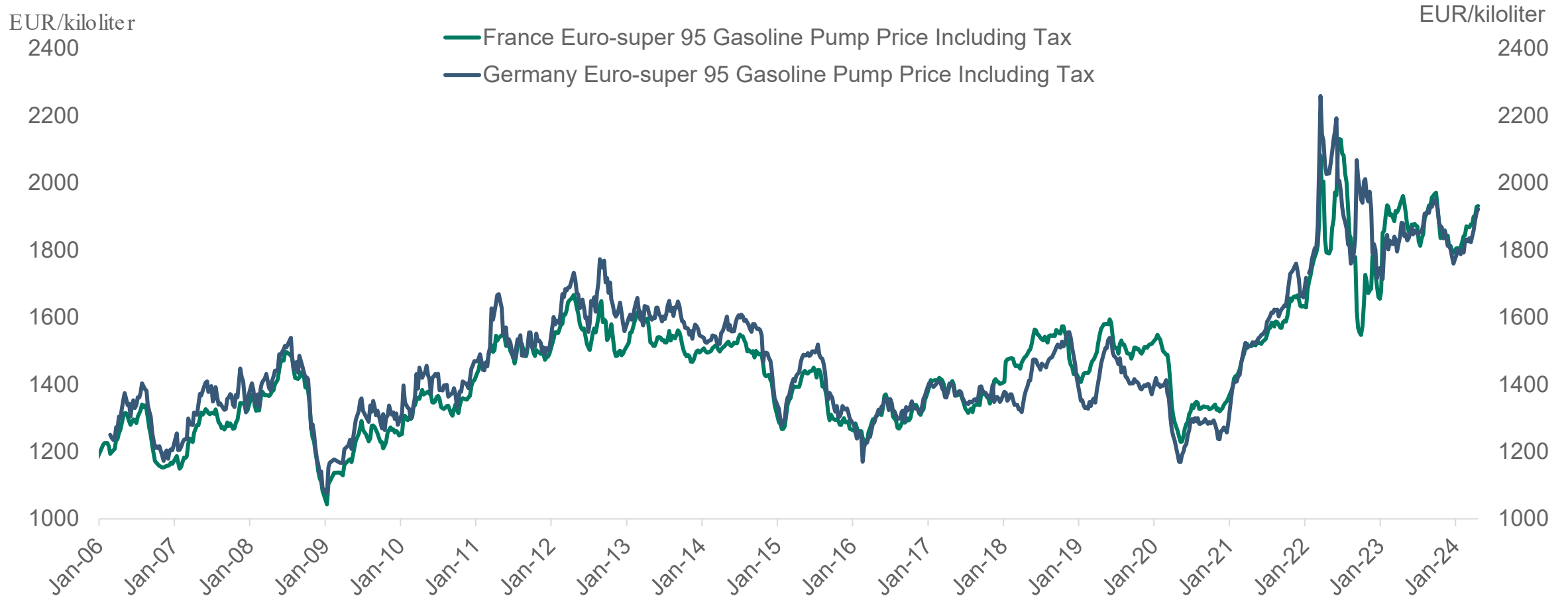
Energy prices rising



US retail gas prices rising



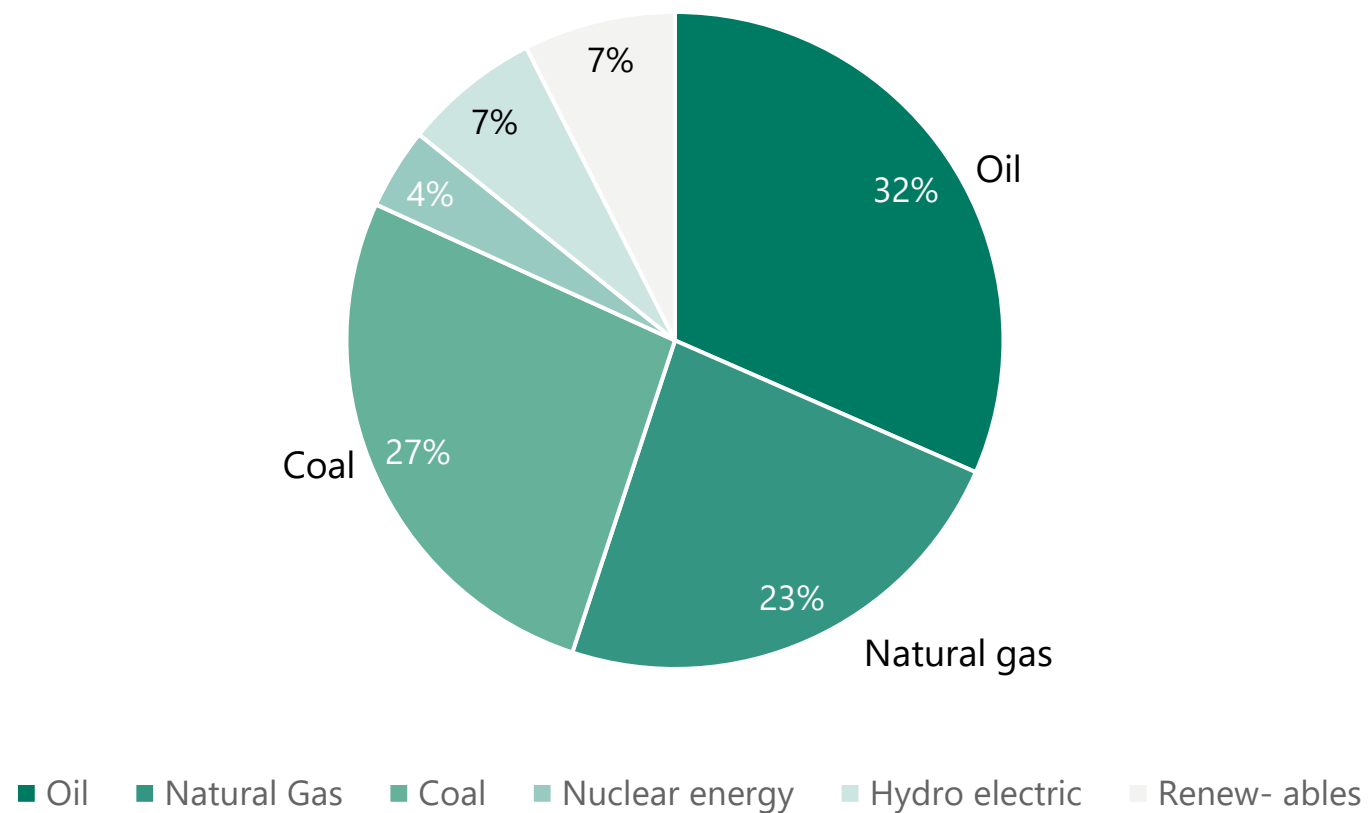
France and Germany retail gas prices



Source: Bloomberg, Apollo Chief Economist (ECOBGTFR Index, ECOBGTGE Index)

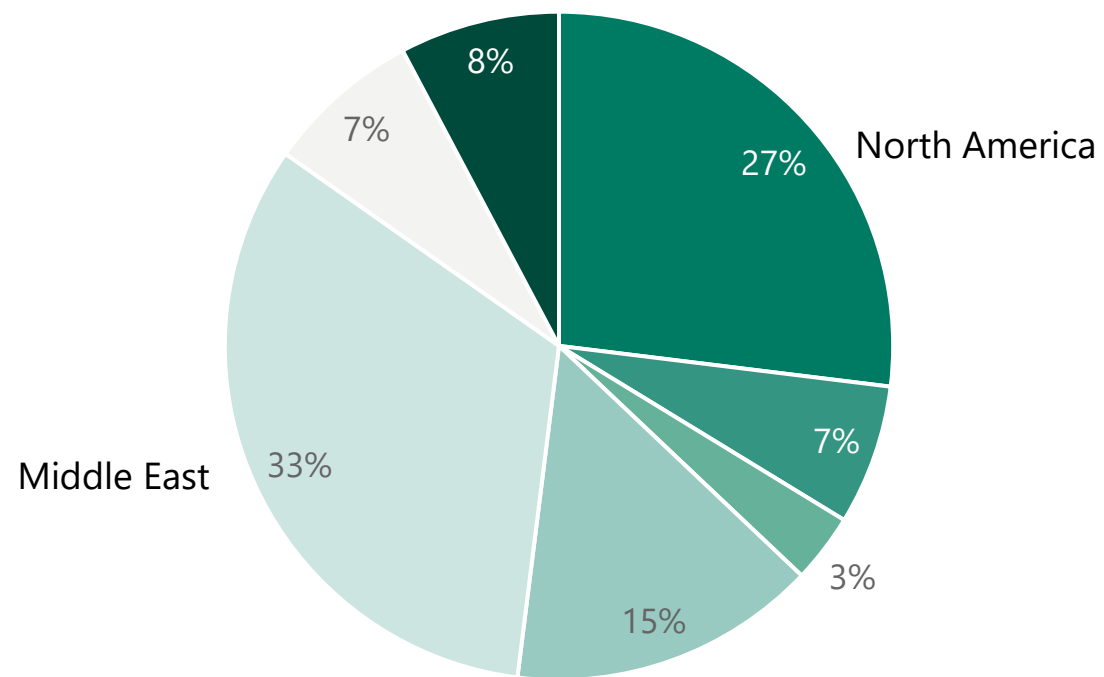
World energy consumption: Oil, Natural gas, and Coal

Global energy consumption, by fuel, 2022



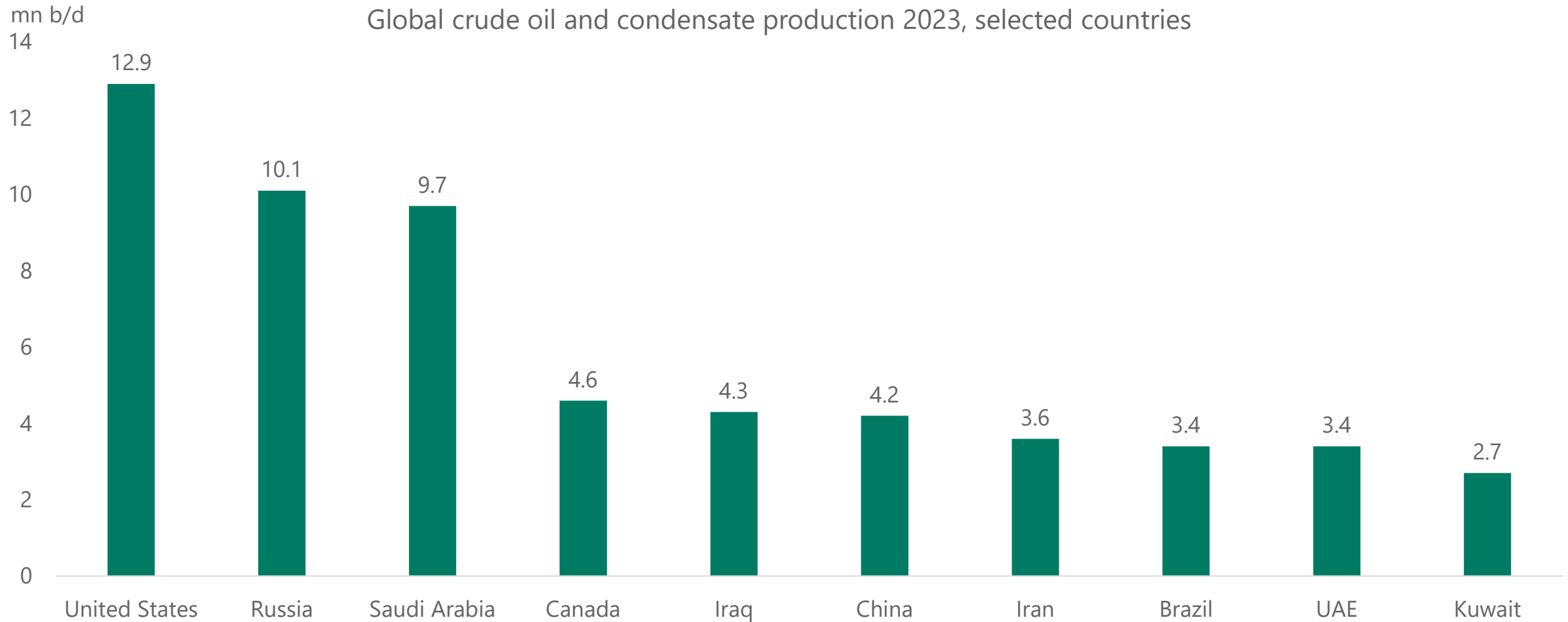
Global oil production

Oil production by region, 2022



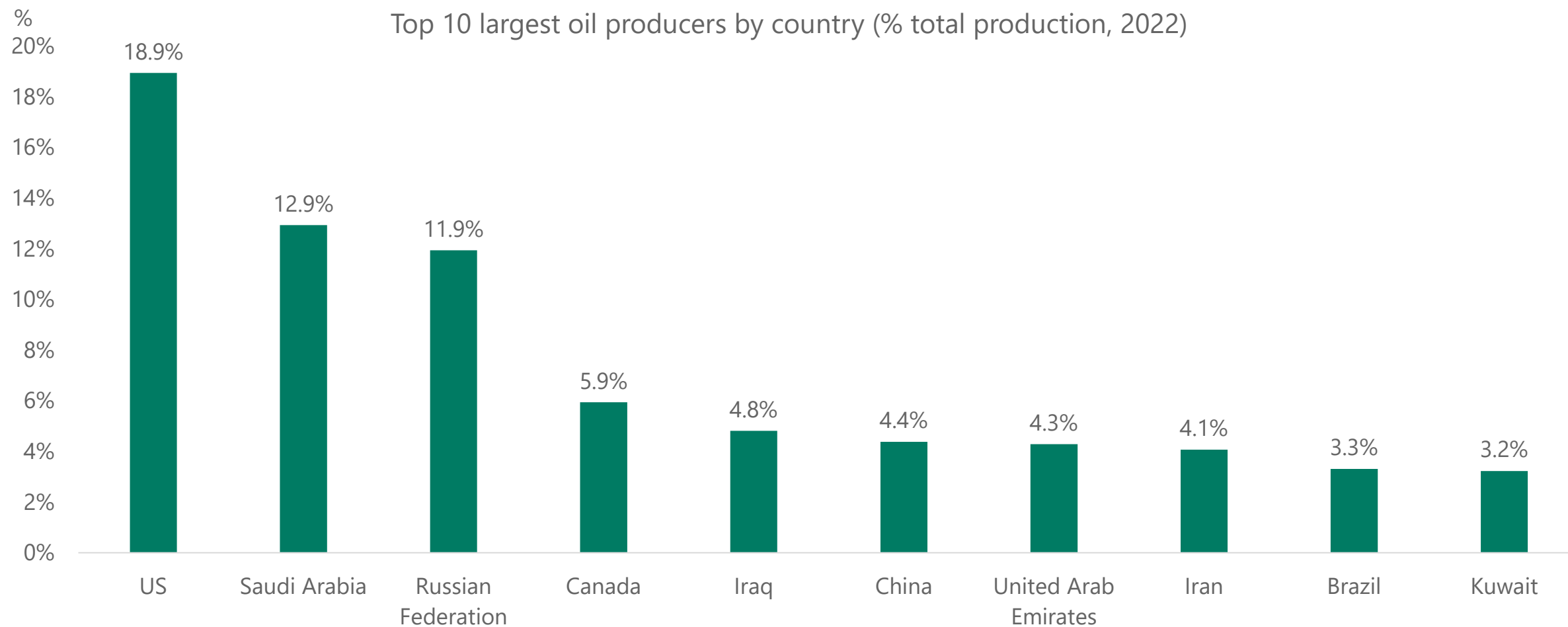
■ North America
 ■ South and Central America
 ■ Europe
 ■ CIS
 ■ Middle East
 ■ Africa
 ■ Asia Pacific

The US produces more oil than Russia and Saudi Arabia

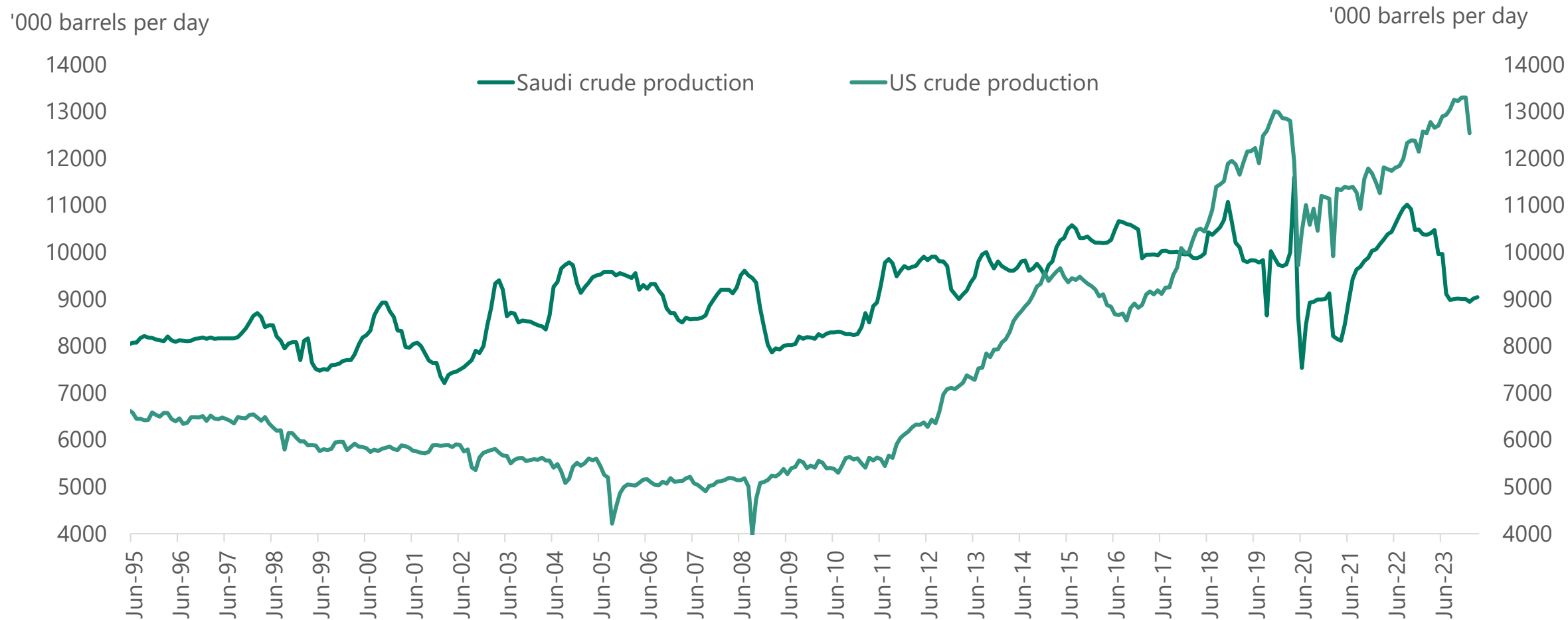


Source: EIA, International Energy Statistics, Apollo Chief Economist. Note: rest of the world produces 22.8 mn b/d

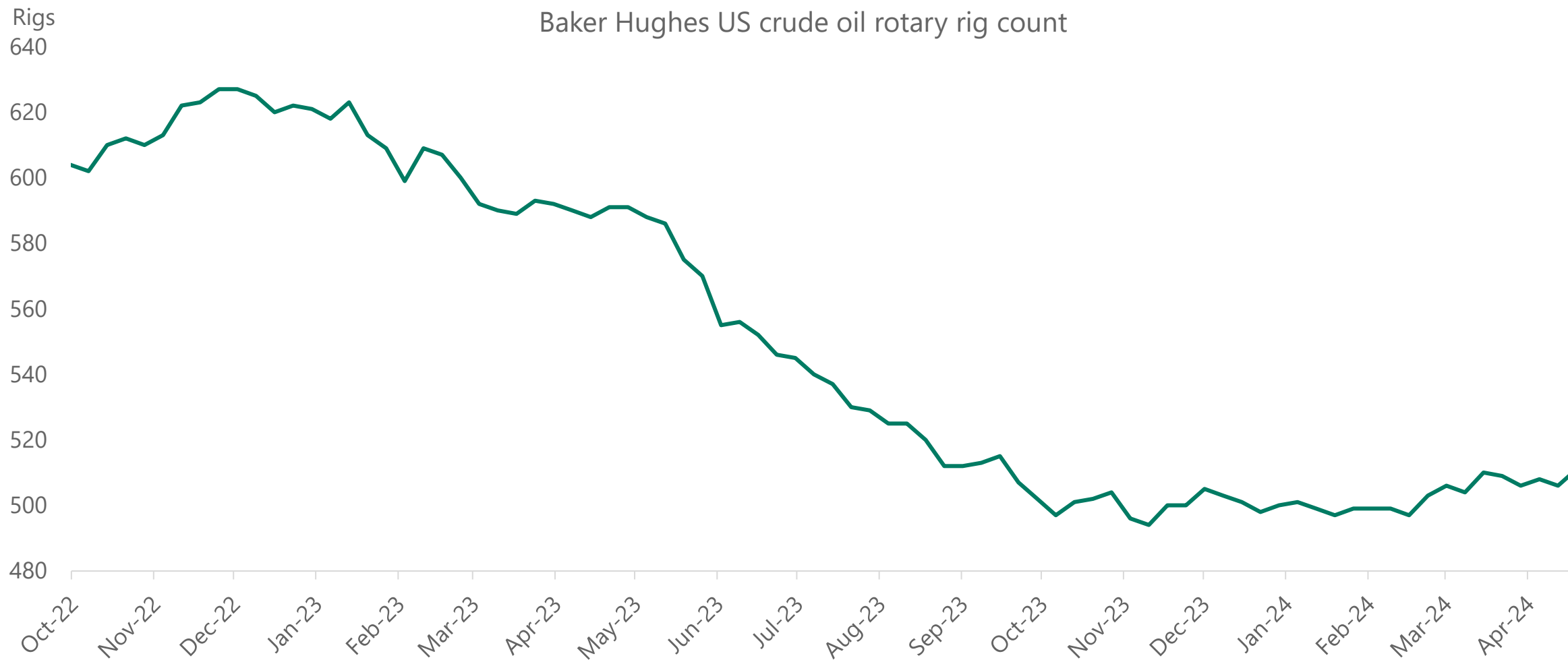
US was the largest producer of oil in 2022



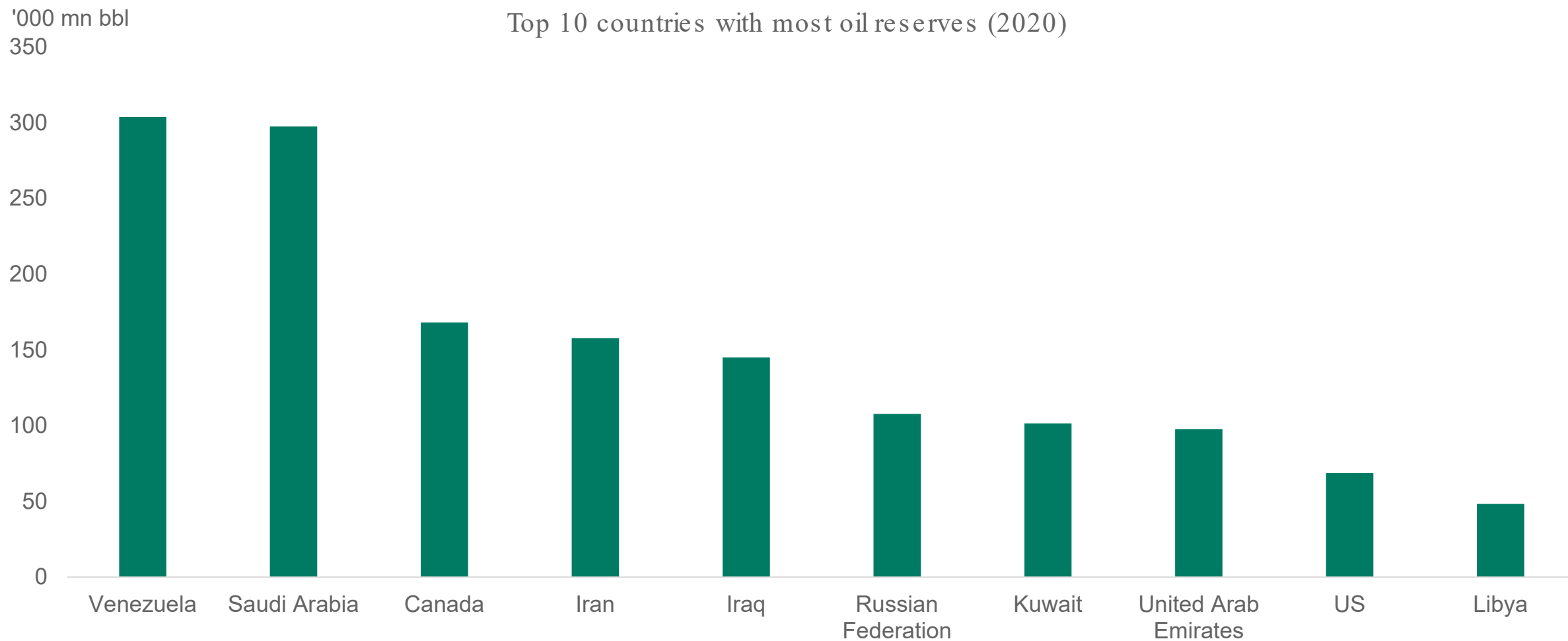
Rising US oil production offsetting OPEC production cuts



The number of active U.S. rigs drilling for oil rising



OPEC countries have a large share of oil reserves



US natural gas prices

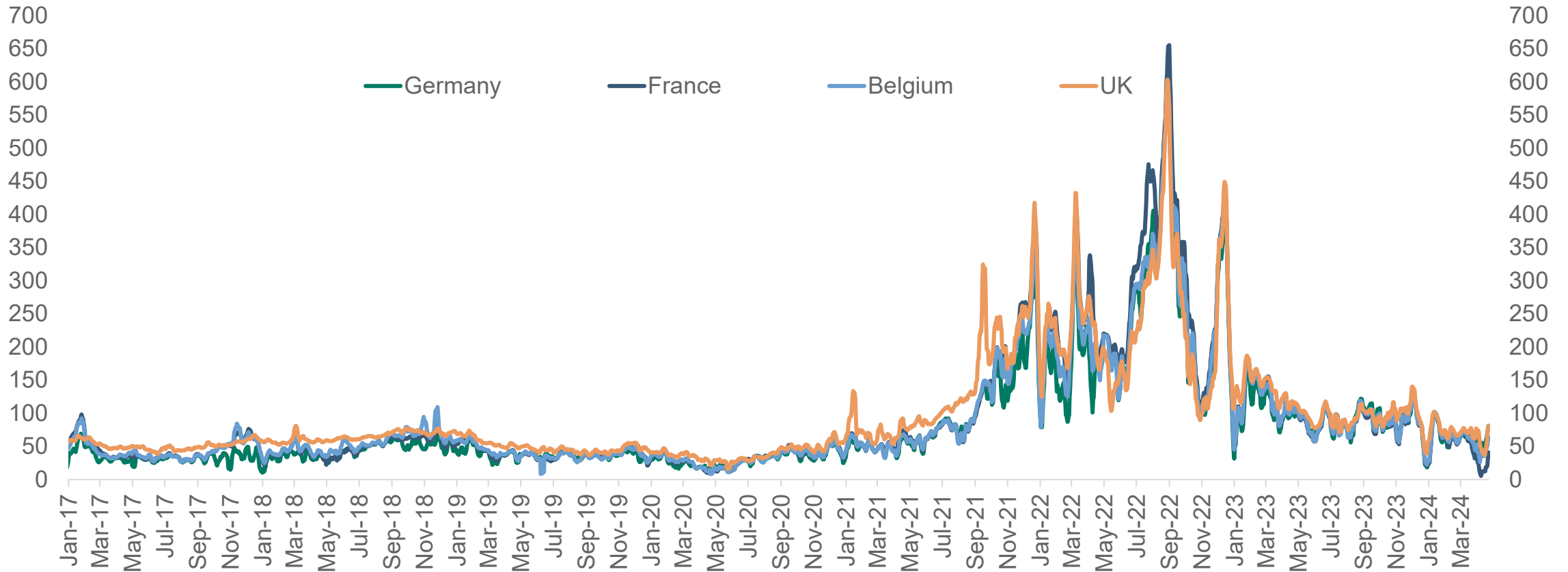


Europe: Electricity prices have come down from 2022 peaks

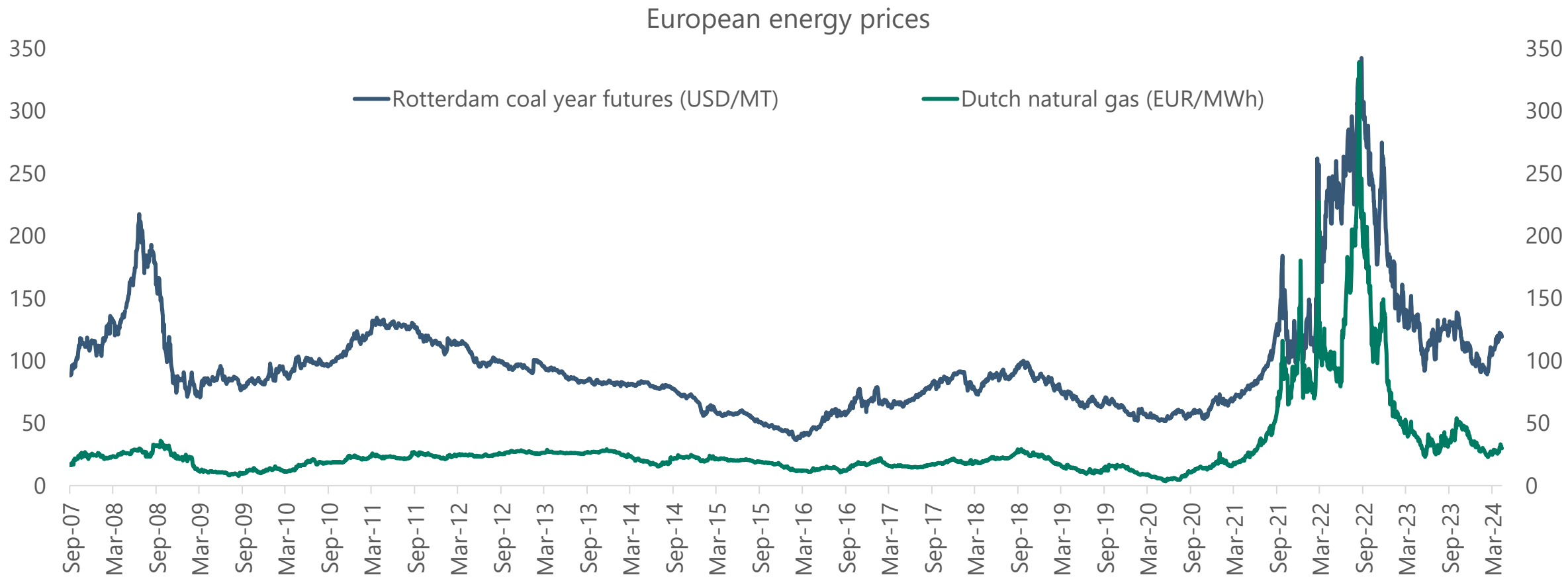
EUR/MWh, 7 day MA

Day ahead power prices

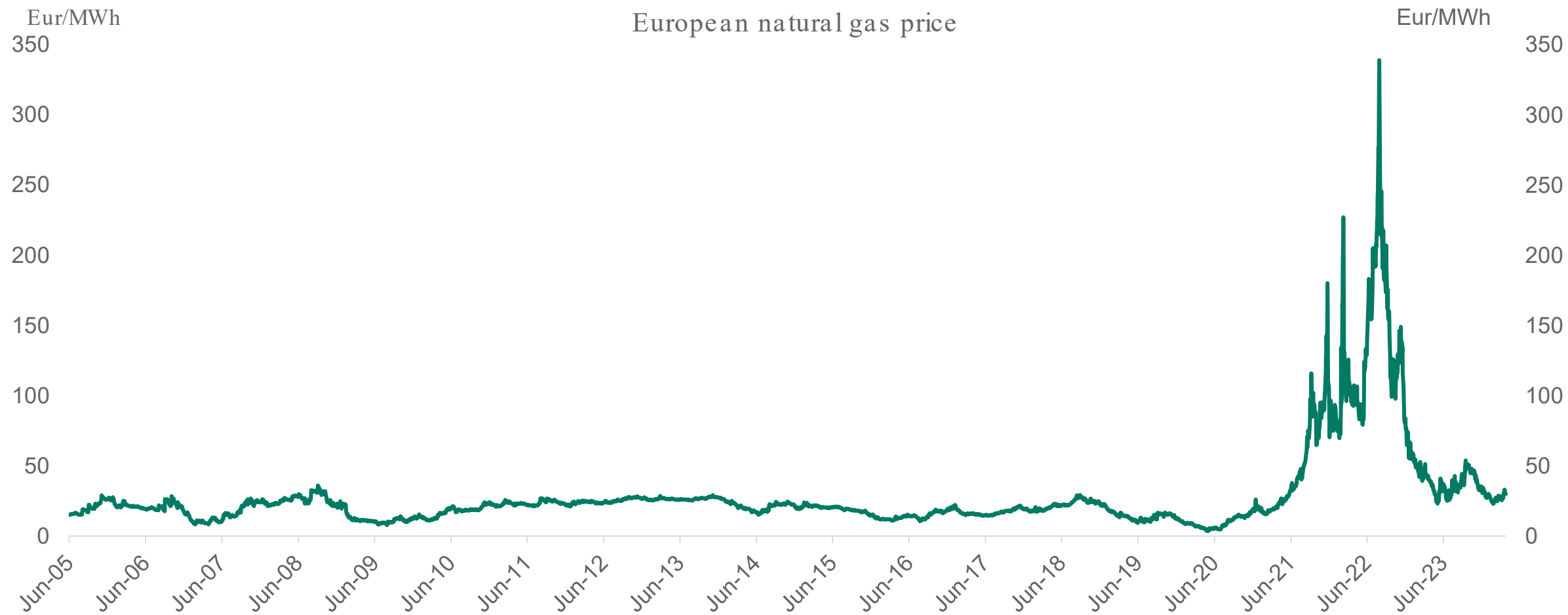
EUR/MWh, 7 day MA



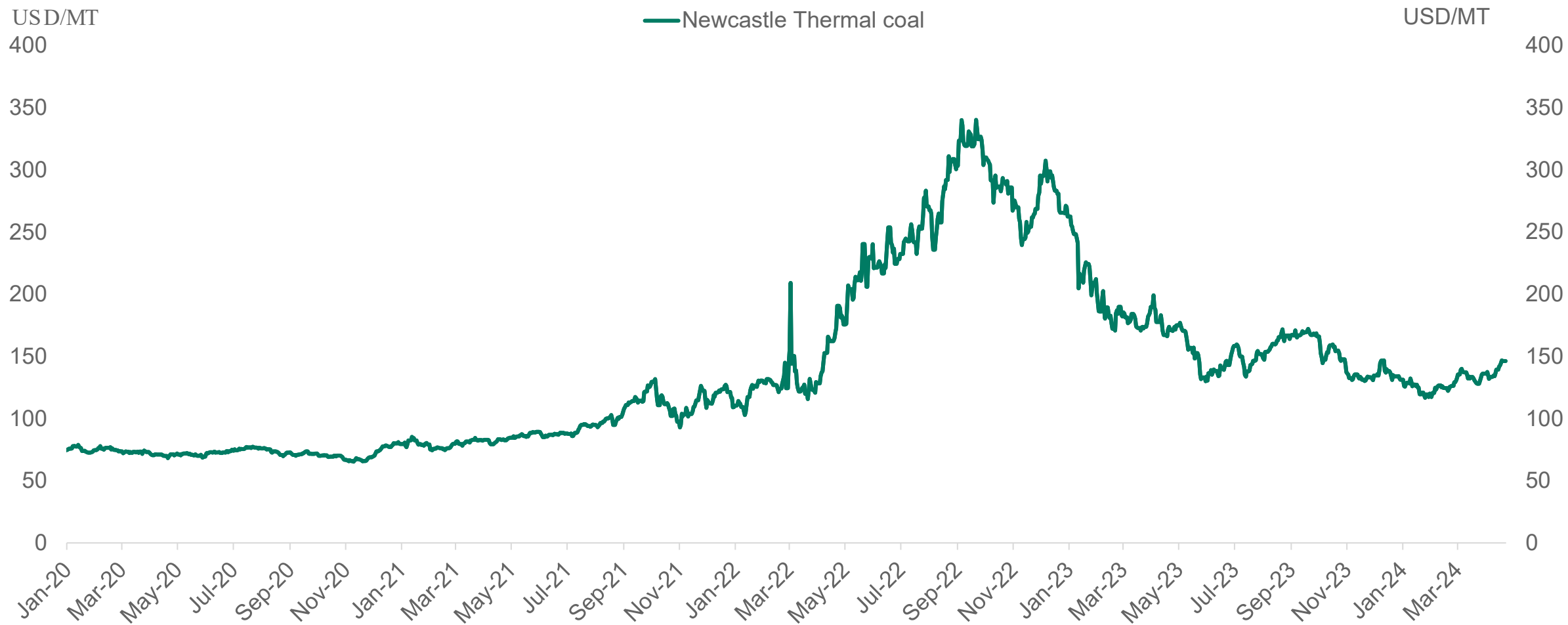
European energy prices



European natural gas prices have normalized



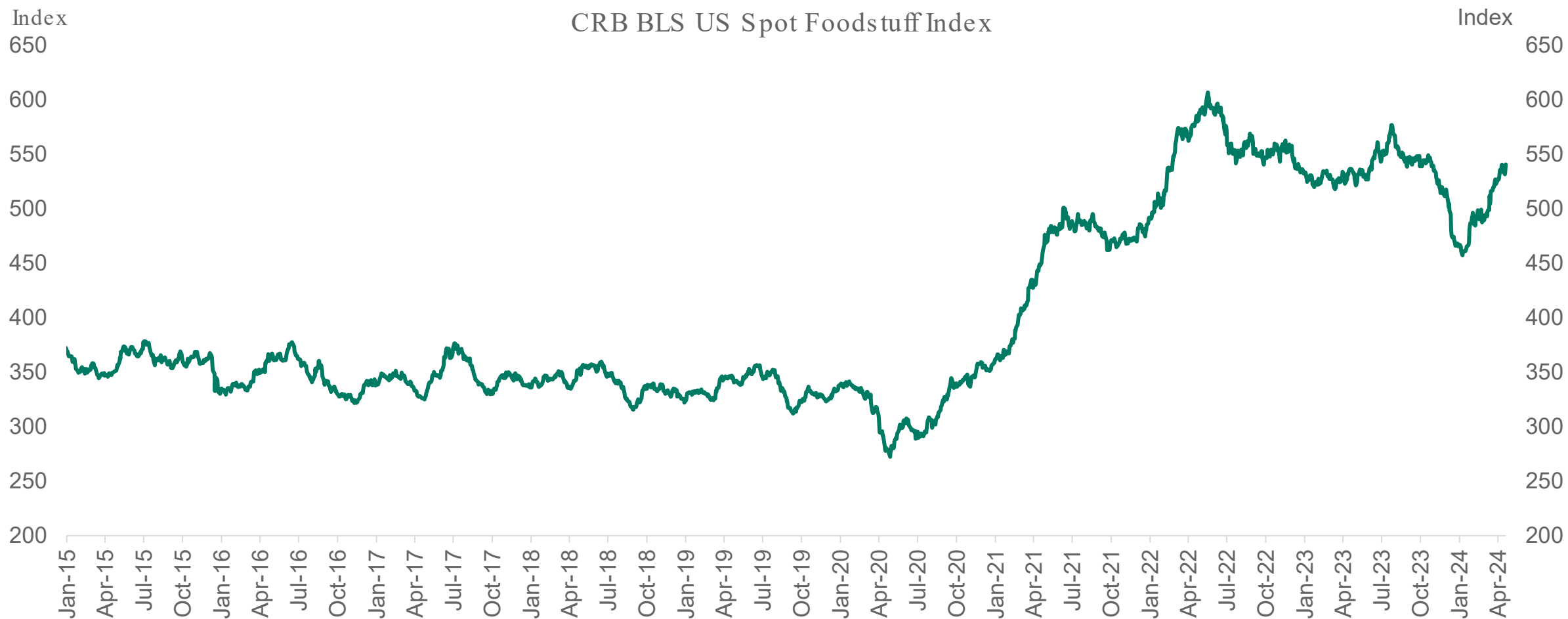
Thermal coal price has normalized



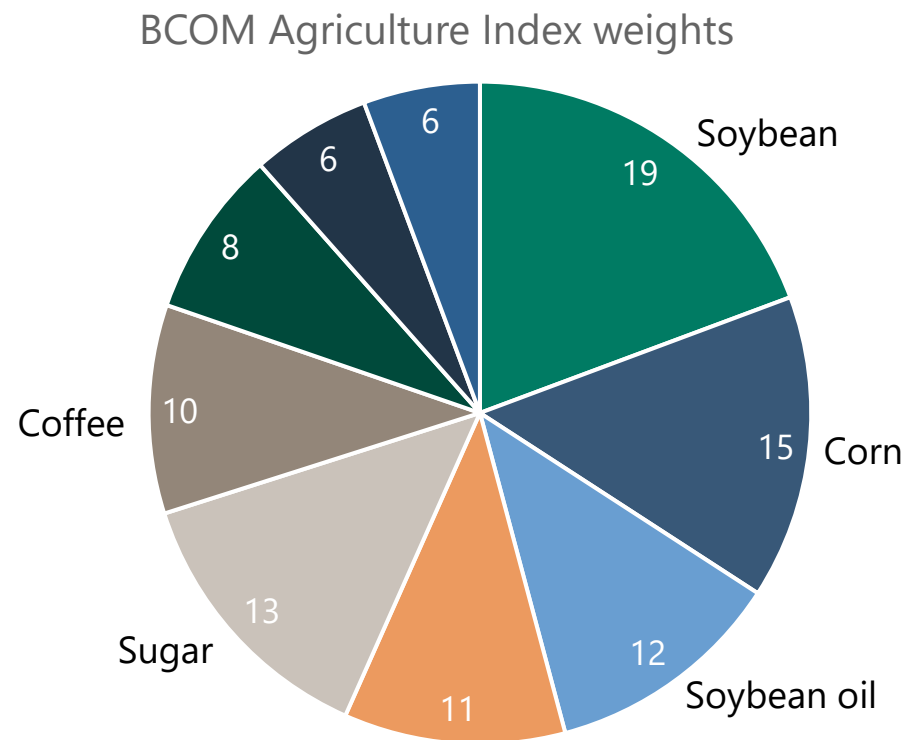
Agriculture prices rising



US food prices have increased in recent months

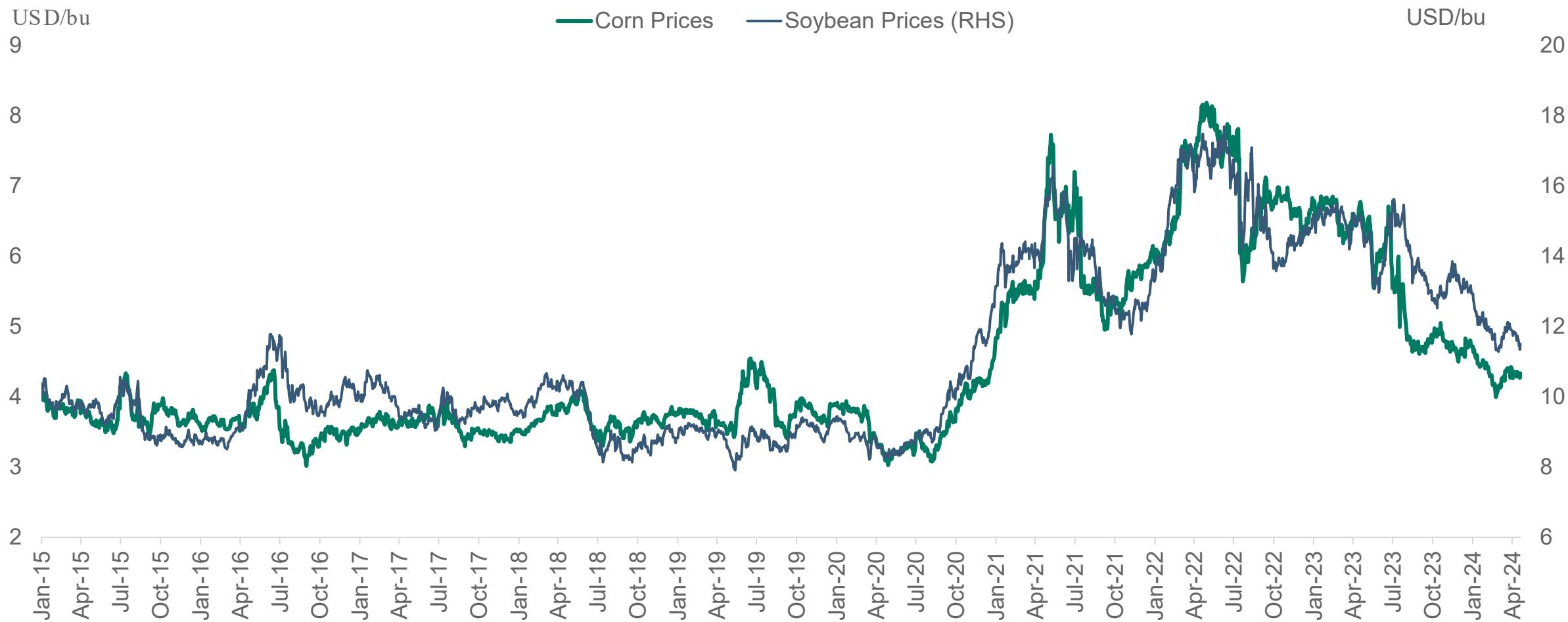


Agriculture index weights: Biggest components are Soybean, Corn, and Sugar



- Soybean
- Corn
- Soybean Oil
- Soybean Meal
- Sugar
- Coffee
- Wheat
- Cotton
- Hard red winter wheat

Some decline recently in corn and soybean prices



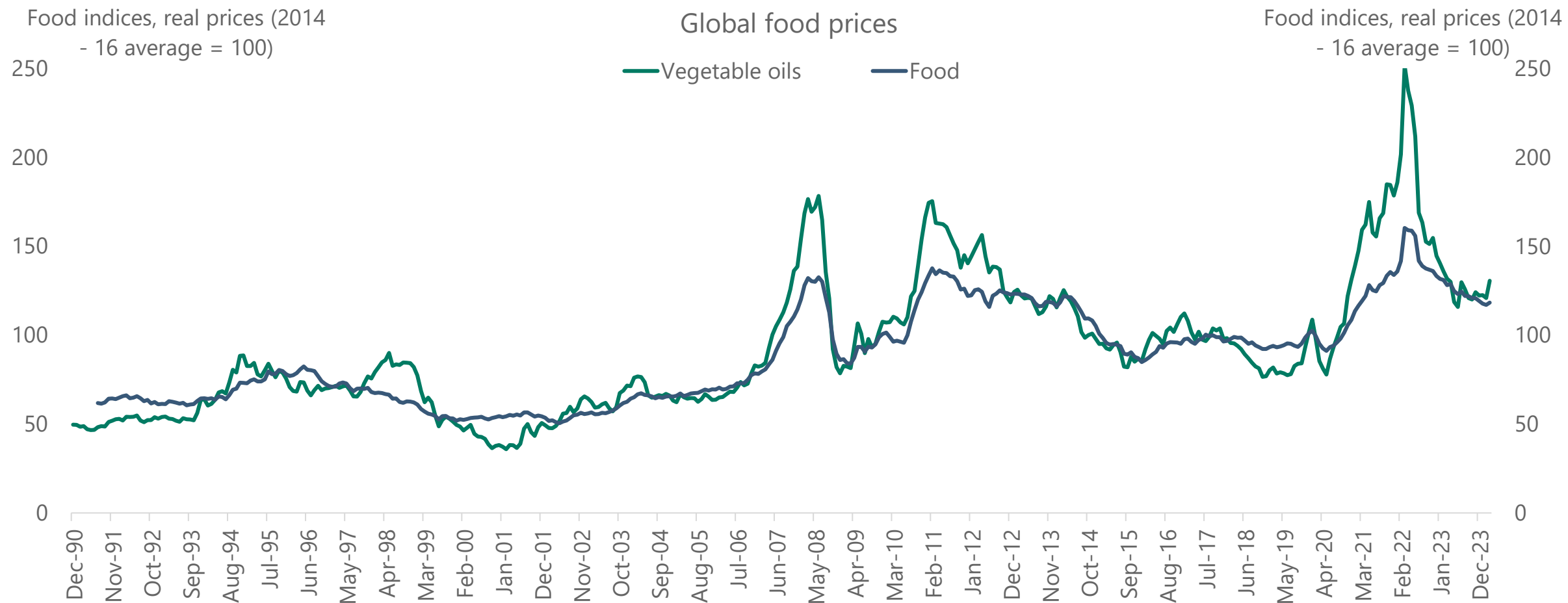
Spanish extra virgin olive oil prices elevated



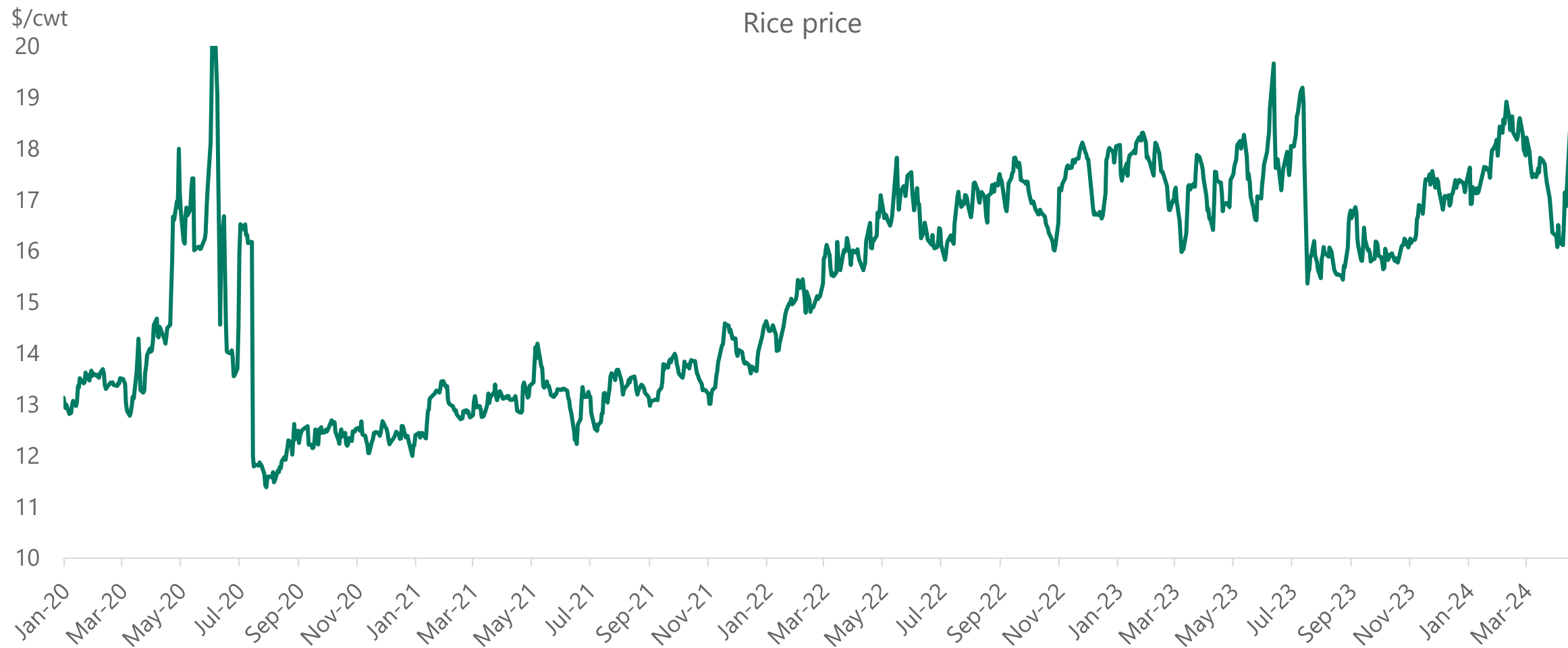
Sugar prices



Global food prices down from peak but still higher than before the pandemic



Rice prices have risen sharply

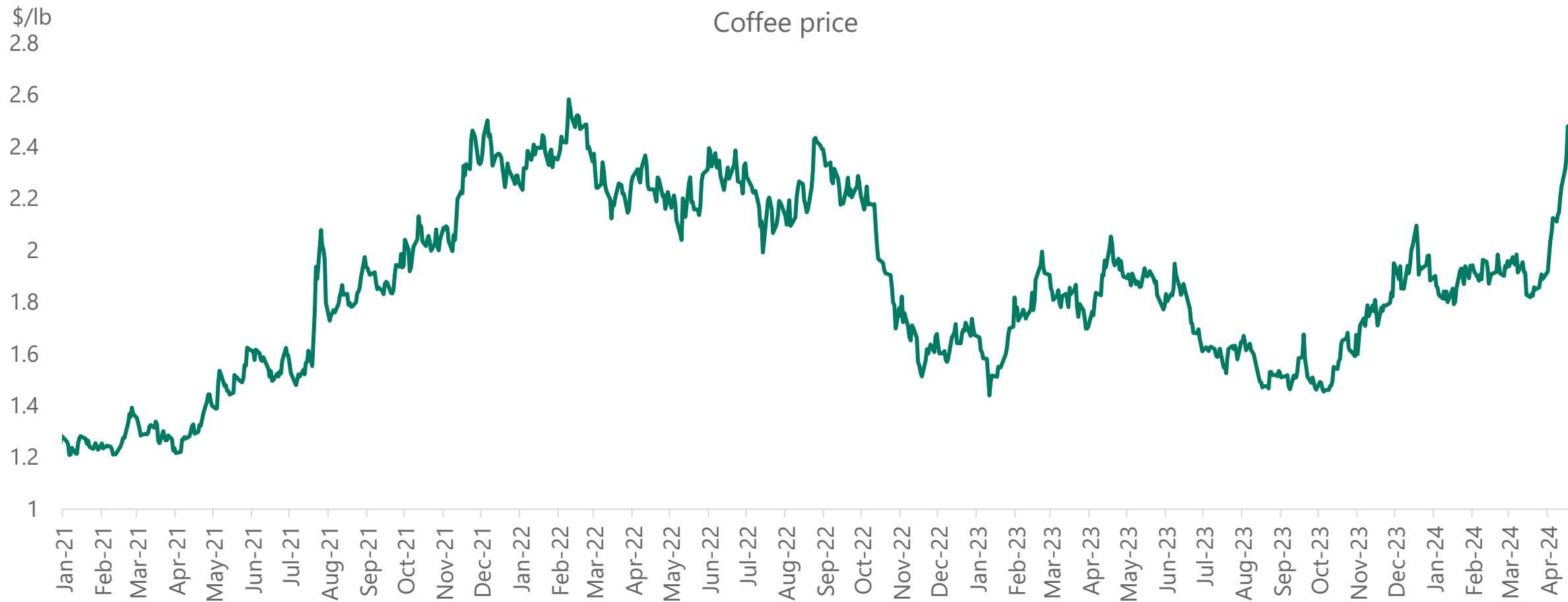


Wheat prices coming down

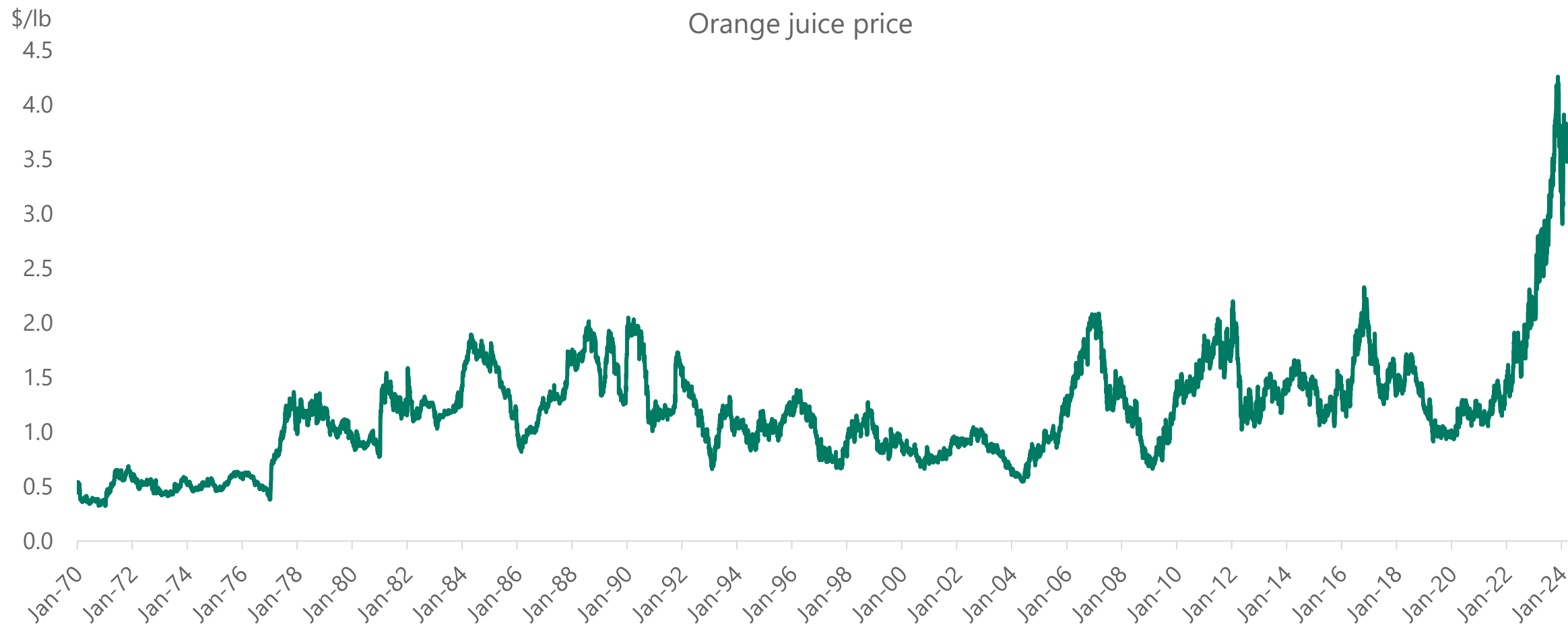


Source: Bloomberg, Apollo Chief Economist

Coffee prices have risen



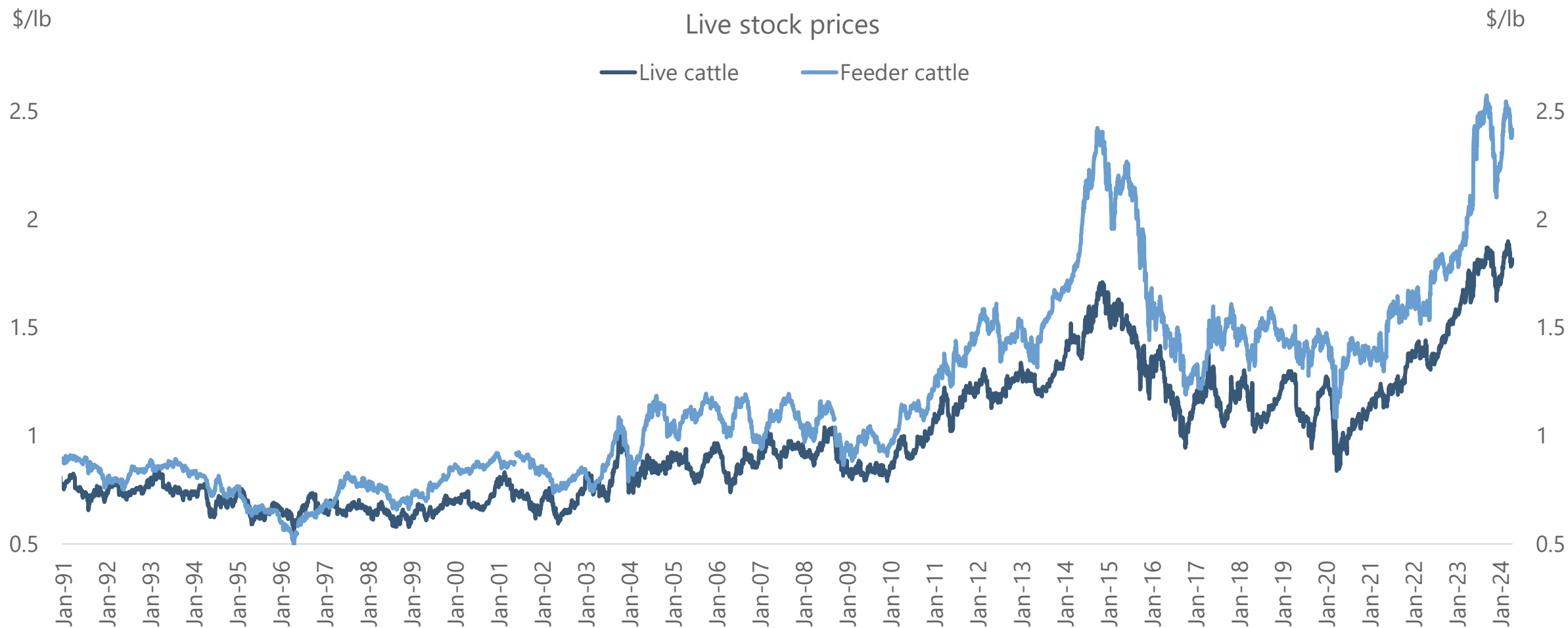
Orange juice prices remain high



Cocoa prices high



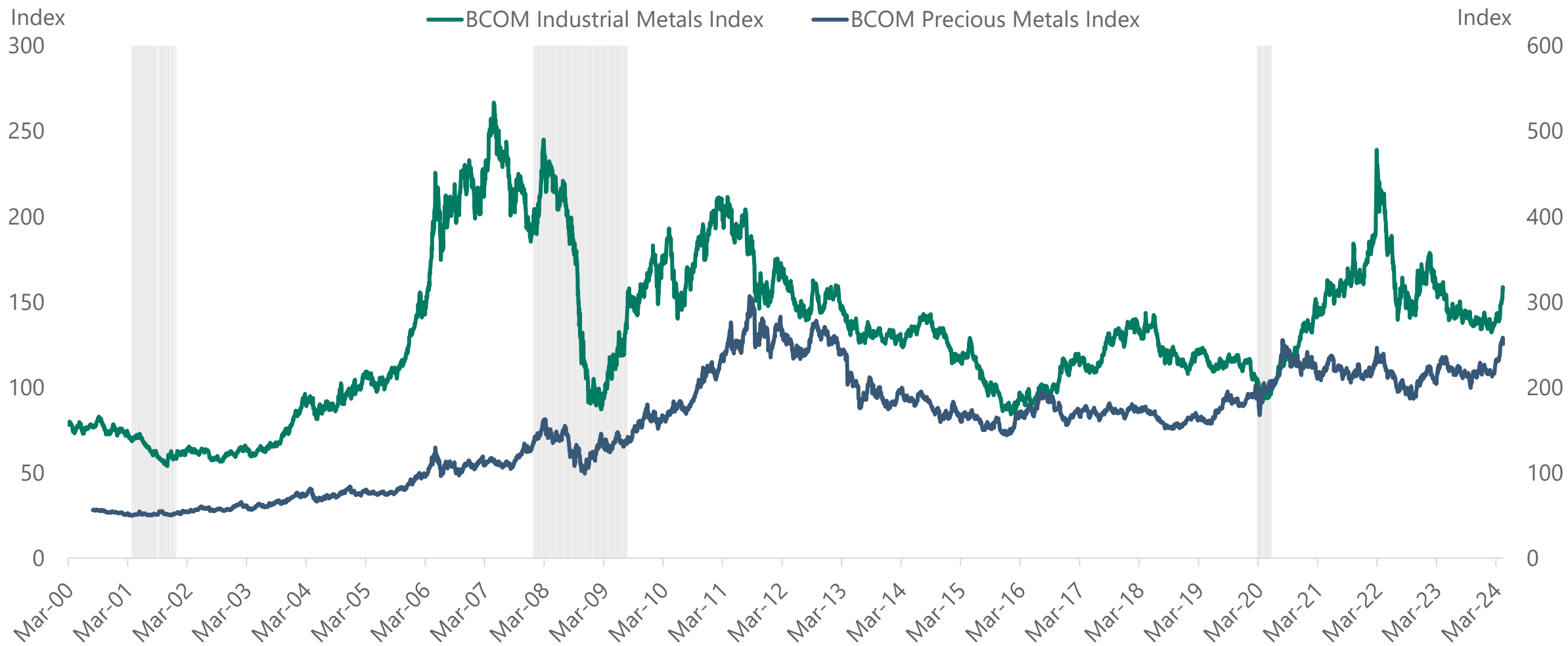
Live stock prices high



Metals prices rising



Metals prices rising

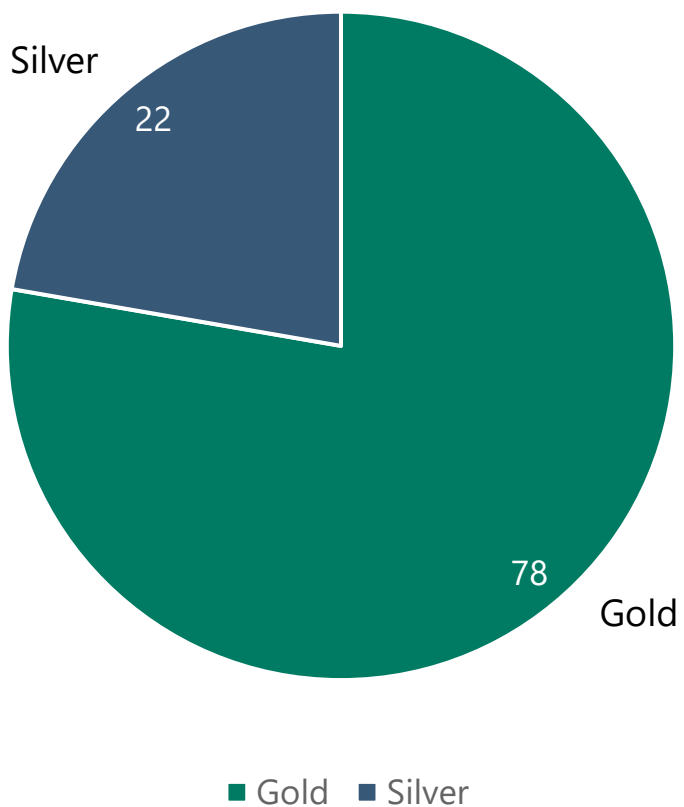


Gold price reaching new highs

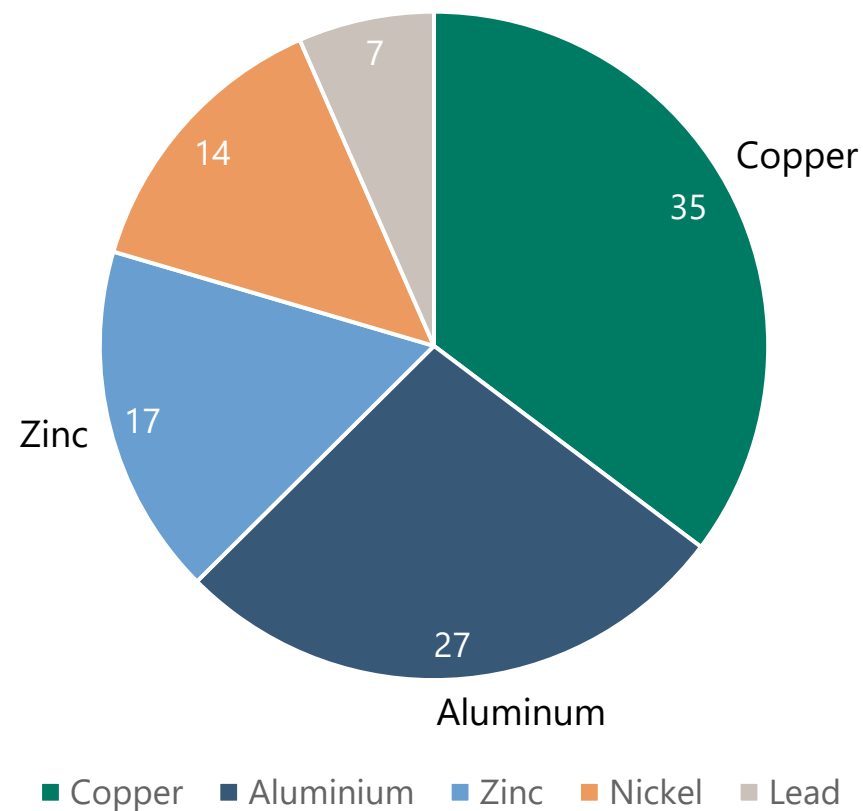


Weights in indices for precious metals and industrial metals

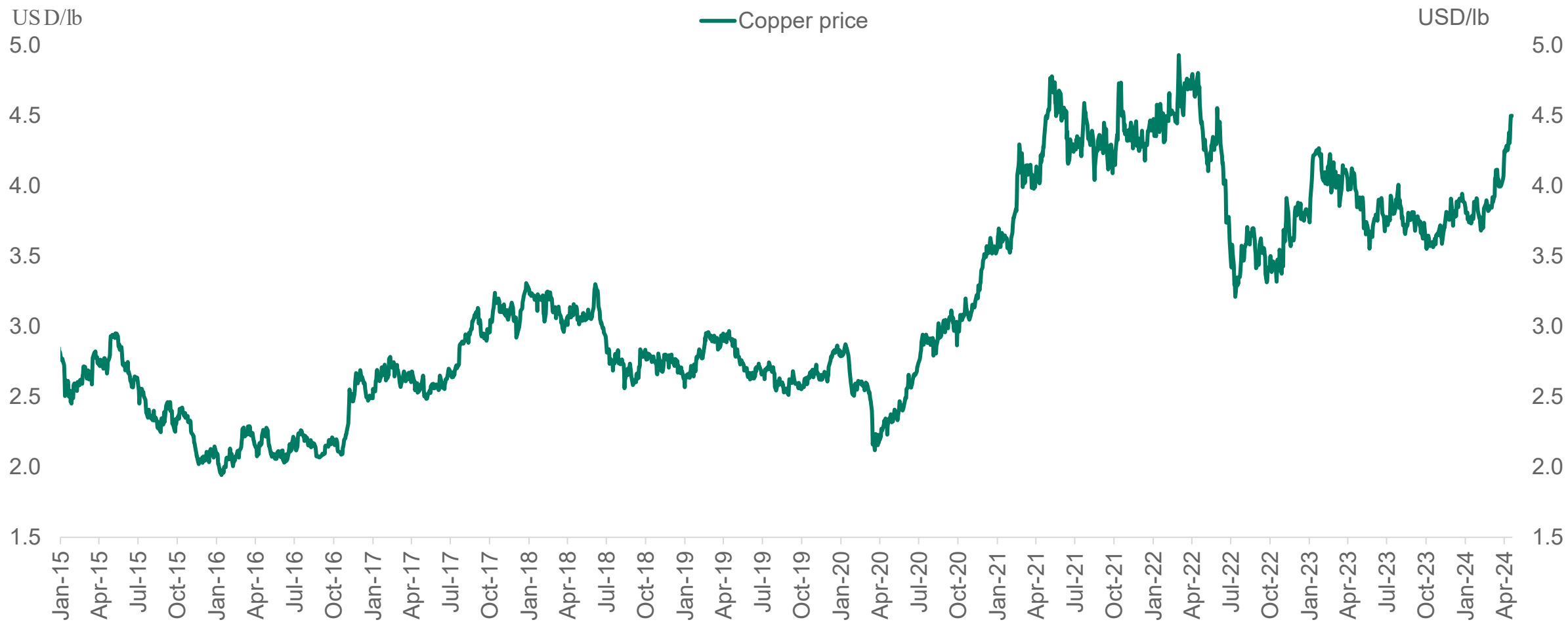
BCOM Precious metals weights



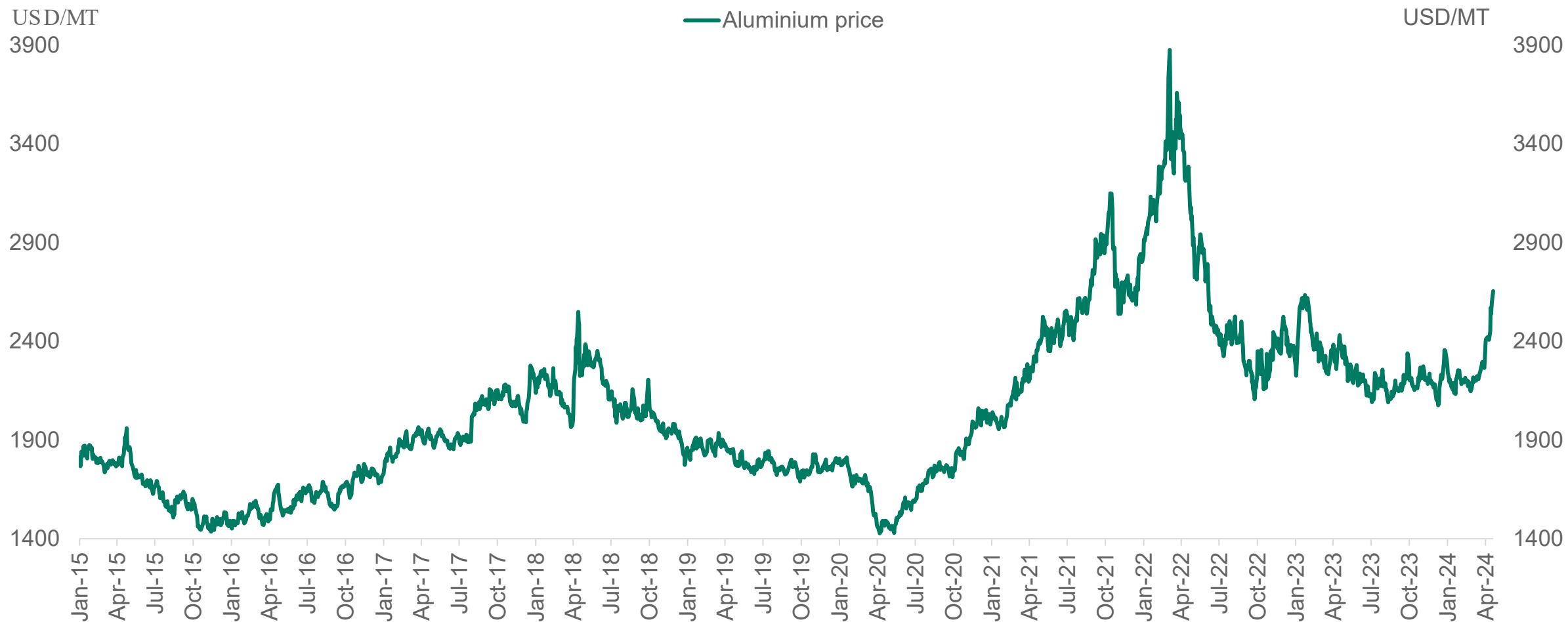
BCOM Industrial metals weights



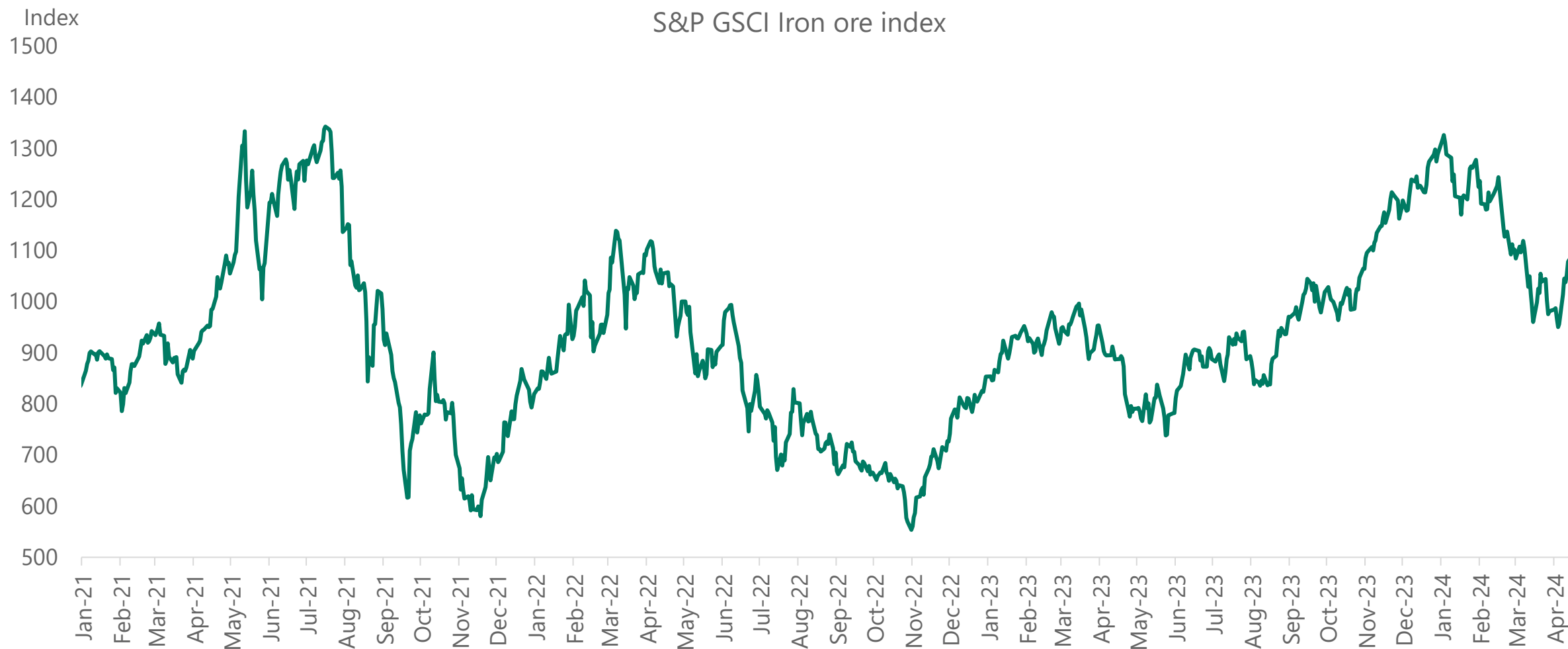
Copper prices rising



Aluminum prices also rising



Iron ore prices rising



China: Iron ore inventory approaching pandemic levels



Source: Bloomberg, Apollo Chief Economist

Conclusion

Commodity prices moving higher because of:

- 1) Geopolitical uncertainty
- 2) Reaccelerating US growth – boosted by the December Fed pivot
- 3) Segmentation of global trade – more trade with specific nations
- 4) AI demand for energy – data centers require more energy



Torsten Slok, Ph.D.

Chief Economist

Apollo Global Management

tslok@apollo.com

Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.