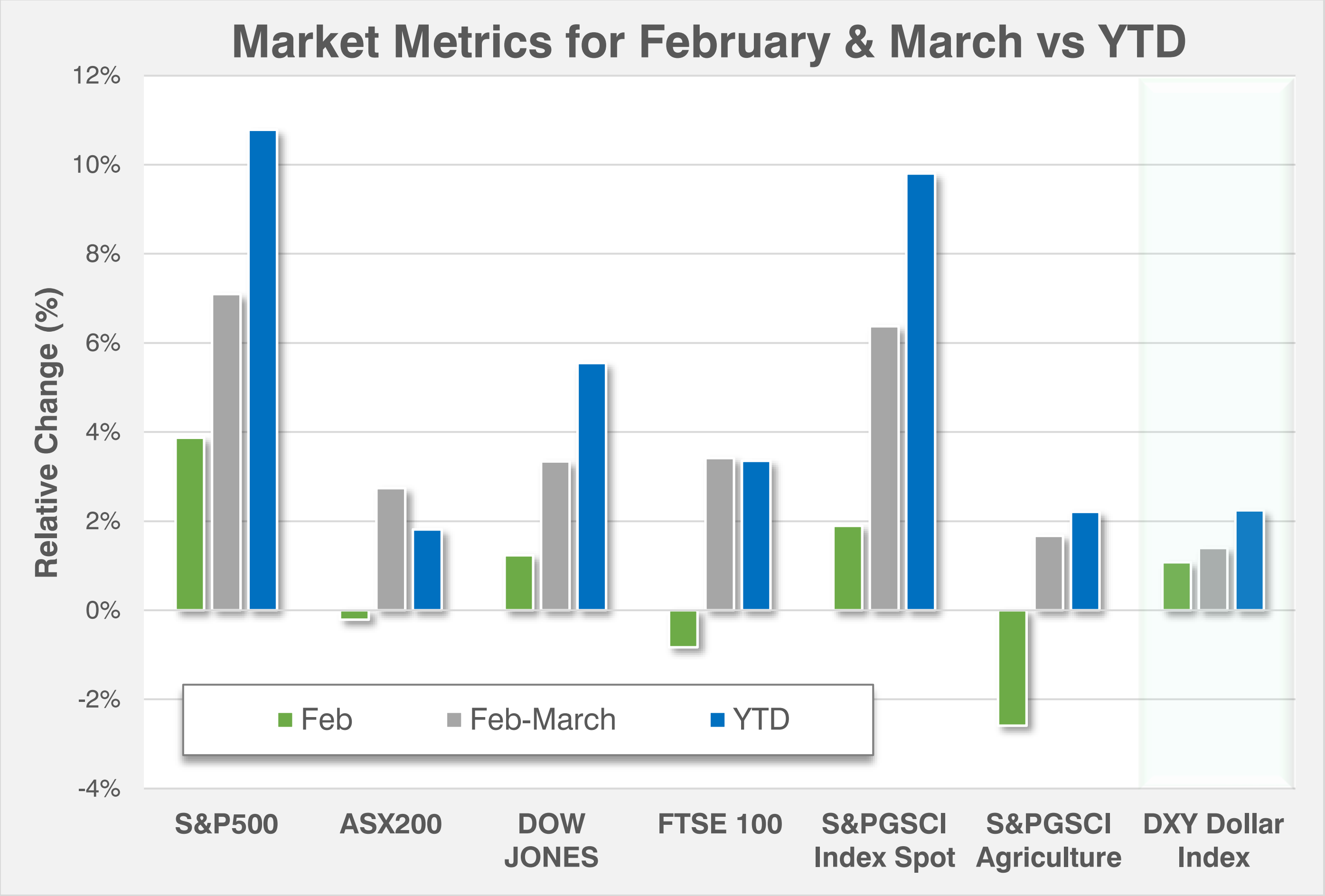
Monthly Market Insights - March 2024

Monthly Market Insights - Review of February & March 2024

Market Indices

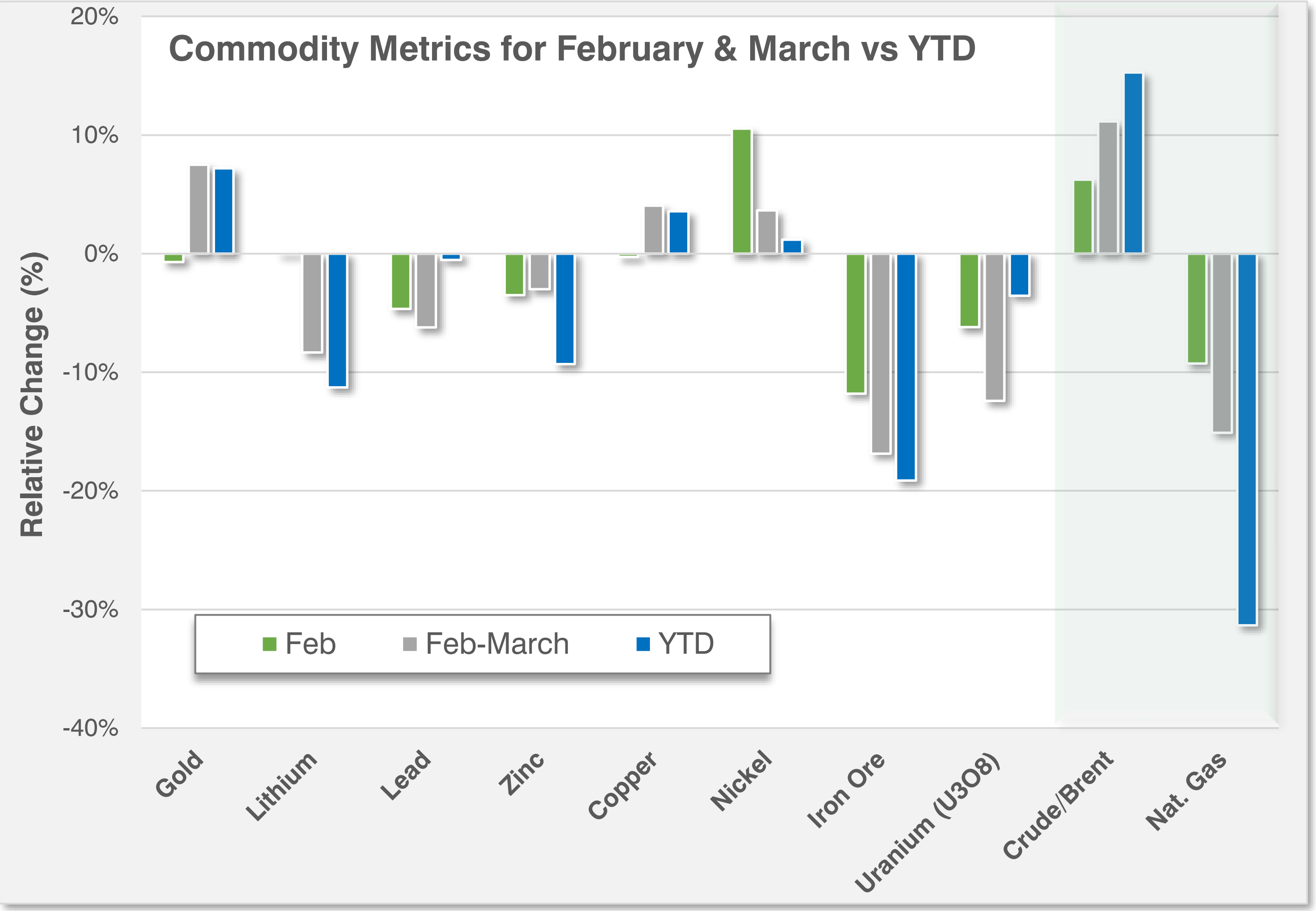
- US Equity markets continued on an upward trajectory from Feb-March with the majority of gains attributable to the “magnificent 5” Megacap Tech stocks (Nvidia, Microsoft etc).
- SP500 was up over 7% across Feb-March largely due to “magnificent 5”.
- ASX 200 resources index rose 2.7%.
- Interest rates held steady again. All eyes on the Fed and when they plan on cutting rates. Commentary by Chairman Powell suggests 3 cuts are still planned for 2024.
- The dollar index appreciated by 1.4% indicating that the continued strength of the US economy has not dampened demand for USD.



Monthly Market Insights - Review of February & March 2024

Commodities

- Gold continued with a significant bullish upward trend & closes the March quarter at an all-time nominal high.
- Cu increased after 19 major Cu smelters in China agreed on production cuts during March.
- Ni rallied due to concerns on output quotas in Indonesia could put downward pressure production combined with hopes for US interest rate cuts in near term
- Lithium continued to decline as inventories in China are consumed and subdued EV demand
- Uranium price consolidated following recent rapid uptick. Price outlook remains very bullish on demand / supply fundamentals.
- Iron ore continued recent decline due to slowing Chinese economy



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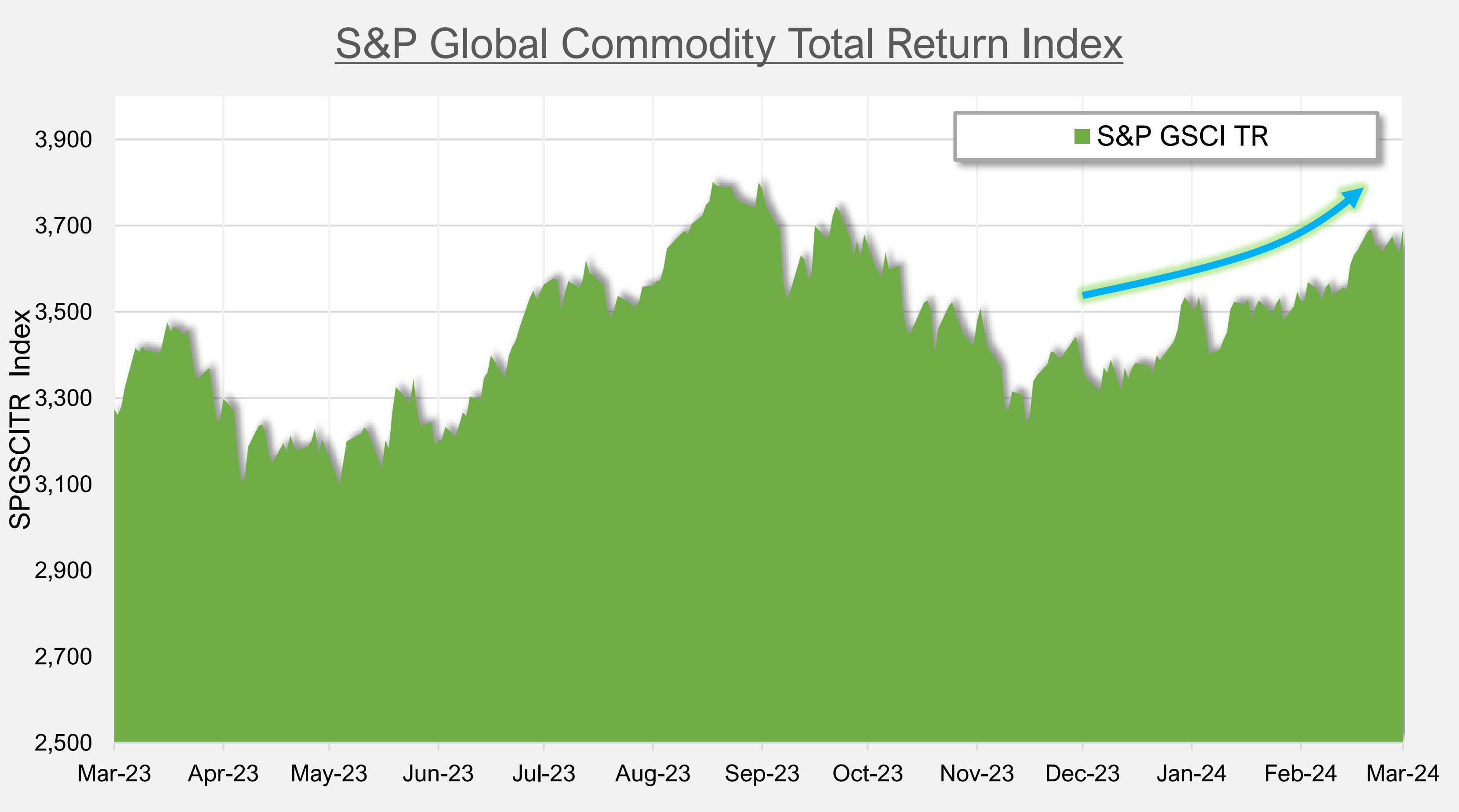
S&P Global Commodity Index

Bullish Commodity Trend Continues



MONTHLY / YTD CHANGE

Feb	Feb-March	YTD
1.3%	5.5%	9.7%

S&P GSCI™ Index Values (March 28, 2024)	Total Return (USD)
S&P GSCI	3,693.3
Energy	670.2
Non-Energy	2,267.1
Industrial Metals	1,604.7
Precious Metals	2,480.2
Agriculture	517.3
Livestock	1,761.9
Agriculture & Livestock	925.2

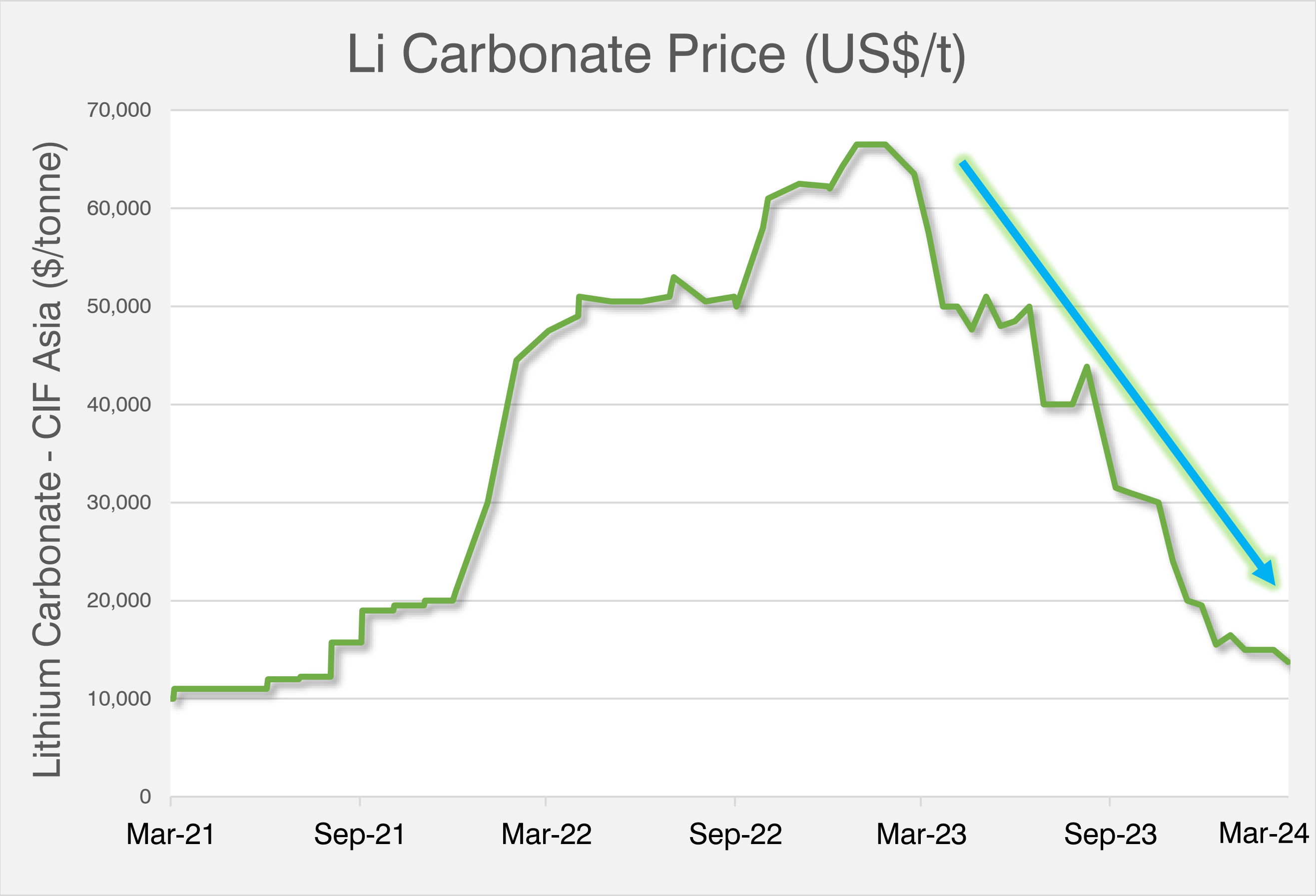
Lithium

Feb	Feb-March	YTD
0.0%	-8.3%	-11.3%

Li

Price Bottom May Be in

- Major correction in prices since late 2022 peak "frenzy" due to excessive stocking
- Li prices inched up in March, supported by production cuts, auction results and improved sentiment in traction battery demand. Prices rose 5.1% and 2.1%, respectively (carbonate) CIF Asia.
- February passenger plug-in electric vehicle (PEV) sales across top markets dropped 30.8% M-o-M, pulled down by a 42.1% decline in China.
- As income growth slows and governments cut purchase subsidies, consumers and automakers turn to plug-in hybrid electric vehicles (PHEVs) as a more affordable midway option.
- Li producers are returning to auctions to discover a "true" price, as the speed of price recovery in the first half of the month has disappointed after a series of supply cuts.
- Auction outcome and stronger sentiment in China's battery demand supported the Platts-assessed lithium carbonate CIF Asia price.



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ASSET MANAGEMENT

Gold / Silver

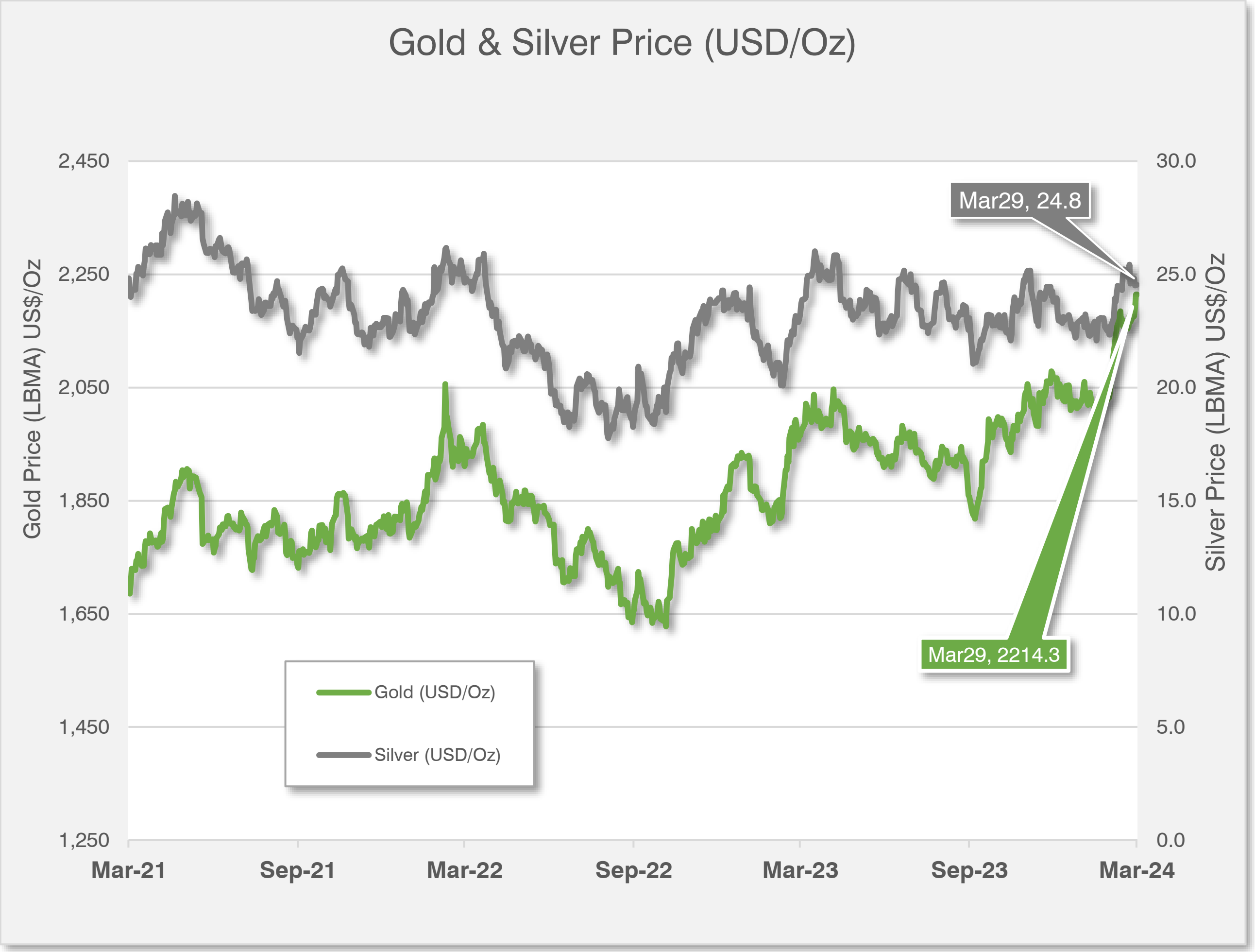
	Feb	Feb-March	YTD
Au	-0.7%	7.5%	7.2%
Ag	-1.5%	8.2%	3.2%

Au

Ag

Hot demand drives Au prices to new (nominal) highs / Ag remains stagnant but a breakout isn't unlikely

- Gold Has Broken Out of Its 4 Year consolidation with a strong "cup & handle" formation underway, mainly driven by monetary demand (store of value).
- Softer US Dollar in March supports Au price
- The London Bullion Market Association (LBMA) gold price hit a new high of $2,180/oz on Mar11, with surging demand fuelled by elevated geopolitical risks and an uncertain economic backdrop.
- The price closed just shy of this record Mar21, supported by dovish tones coming from US FOMC meeting. Gold has been trading above $2,100/oz since March 5.
- The US Federal Reserve's decision to keep interest rates steady at 5.25% to 5.5% was not unexpected; Fed Chairman still mentioned the possibility of up to 3 rate cuts later in 2024 but acknowledged that the "higher-for-longer" stance holds for now.
- Safe-haven demand for Au is high amid two ongoing geopolitical conflicts, and central bank purchases are rising steadily.
- Silver demand heavily influenced by industrial demand (most conductive metal) i.e. solar PV, semiconductors. Monetary demand is anticipated to increase when (if) Gold has a sustained breakout



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Gold

Au

Gold's 25 Year "cup and handle" formation with clear breakout after 4 years of consolidation

Source: Bloomberg, Incrementum AG

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Uranium

Feb	Feb-March	YTD
-6.2%	-12.4%	-3.6%

U

Some pullback, but price outlook remains very bullish on demand / supply fundamentals

- Recent significant uptick in yellowcake (U_3O_8) spot price has been driven by a continued decline in mobile uranium inventories.
- Structural supply shortage projected over next 10 years with limited scope for near-term supply response
- Decline is underpinned by many factors, including: COVID-19 pandemic production declines, the advent of the Sprott Physical Uranium Trust (SPUT), and strategic acquisitions by junior U companies to support future project financings.
- Recent price increases due to reduction in production targets for the World's largest producer (Kazatomprom) (due to acid shortages/price increases, recovery decline from existing ILS mines & likely deliberate move to influence price upwards. Similar situation from Cameco (second largest global producer).
- Significant resurgence in global interest in nuclear power due to its low carbon emission intensity and practicality for achieving "net zero" targets by 2050.
- Several new nuclear reactor builds underway (dominated by China) and also, restarts in USA, Japan & Europe.

Uranium ETFs

	Feb	Feb-March	YTD
Sprott Uranium Miners ETF	-11.3%	-4.0%	7.0%
Sprott Junior Uranium Miners ETF	-15.4%	-3.6%	15.5%

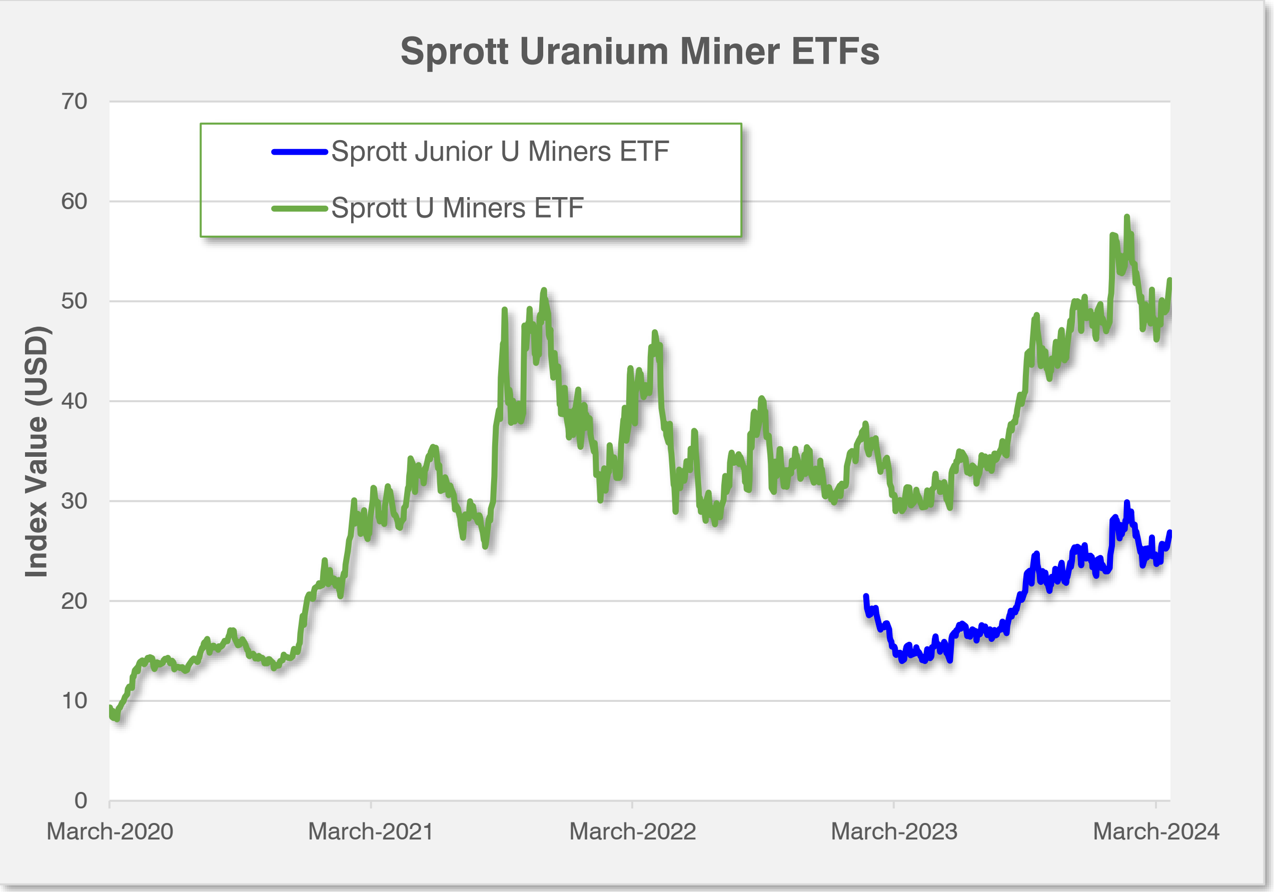
U

Sprott Uranium Miner EFTs show increase in volumes

- Sprott miner EFTs trade ~ with spot price. Both up year to date

<u>INVESTOR INTEREST DRIVEN BY:</u>

- Major demand anticipated over coming years from AI & datacentre boom (highly energy intensive), with major tech companies seeking reliable base load power and a low carbon dioxide emission footprint.
- Fast Developing tech require increased datacentre usage.
- Term contracting (volume & price) increases since mi 2023 – signalling contracting has returned to fundamentals
- Chinese demand for nuclear energy expected to grow from 18% to 35% of global uranium requirements by 2040
- COP28: 22 countries have launched a declaration to triple nuclear energy by 2050 (Recognised as a 'green' source of energy)



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Nickel & Copper

	Feb	Feb-March	YTD
Ni	10.5%	3.7%	1.2%
Cu	-0.3%	4.0%	3.6%

Ni Cu

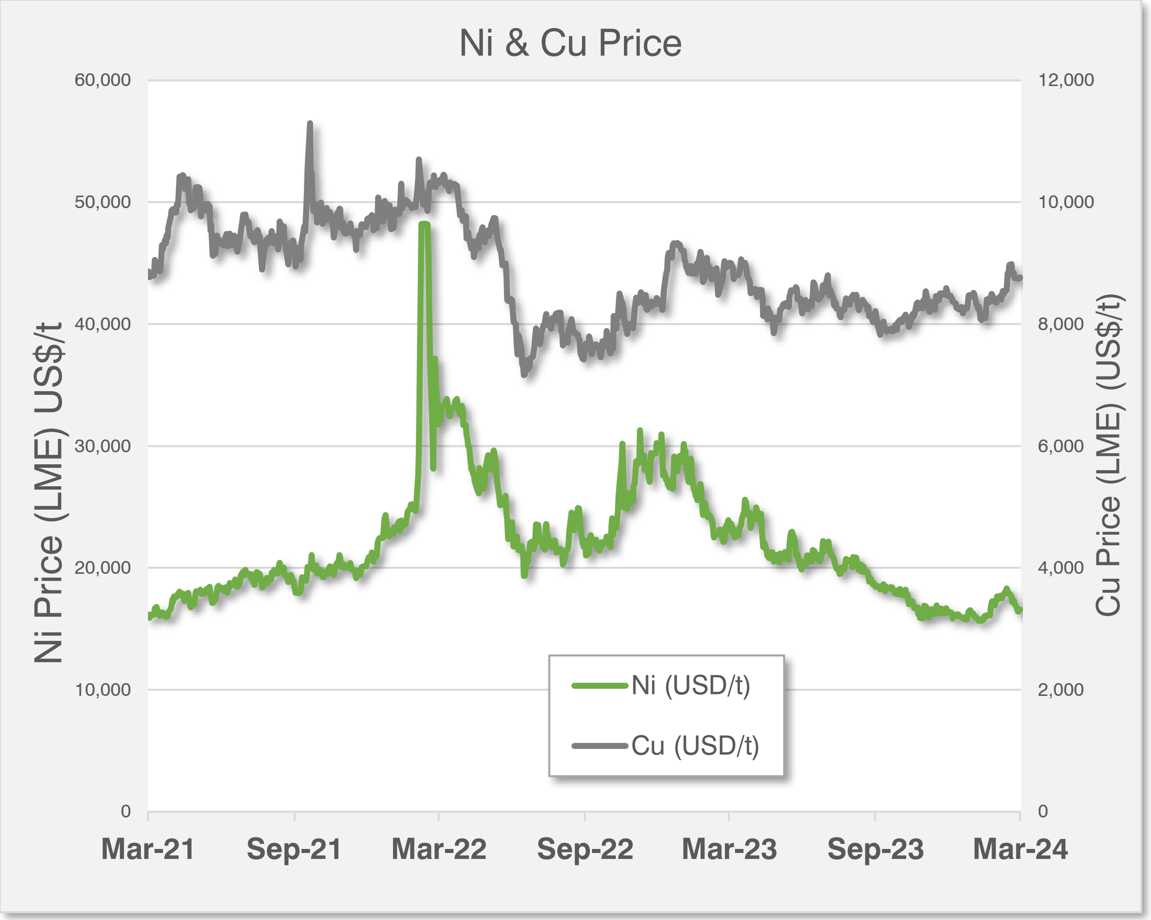
Cu prices surge as China smelters consider curtailments / Ni remains oversupplied

Nickel:

- Market is expected to remain oversupplied in 2024 on expectations that downward pressure on Indonesia's primary nickel output will ease as more quotas are approved.
- The price then dropped to $16,640/t March 26, largely erasing the gains made during February and March's short covering rallies, partly due to news that the Indonesian government is working to accelerate the approval of mining licenses

Copper:

- Softer US Dollar in March supports Cu price
- Investors went long on copper after 19 major copper smelters in China agreed on production curtailments March 13. The LME Cu price to $9,083/t ton March 18, the highest since February 2023.
- Elevated copper prices have slowed the seasonal recovery in copper demand as downstream consumers postpone placing orders. In China, cathode stocks at the Shanghai Futures Exchange (SHFE) continued to climb rapidly
- Outside China, supply-side disruptions also provided support to copper prices (Zambia, Panama, Chile, Germany)



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Lead & Zinc

	Feb	Feb-March	YTD
Pb	-4.6%	-6.2%	-0.5%
Zn	-3.5%	-3.0%	-9.3%

Pb Zn

Zn prices rebound on South Korea smelter curb / Pb demand remains sluggish

Lead

- Given the current macroeconomic environment, lead demand growth remains subdued compared to 2021.
- Demand subdued mainly from slower than forecasted recovery in Chinese economy

Zinc

- Tightening supply has driven the London Metal Exchange three-month (LME 3M) zinc price to $2,561 per metric ton on March 15, triggered by Young Poong Corp. curtailing production at its Seokpo smelter in early March.
- Glencore PLC's Nordenham zinc smelter in Germany has resumed operations partially, but given curbed production at Seokpo, we expect a more sedate rise of 2.4% in global refined zinc supply in 2024.
- China's economic targets for 2024 were announced in the recently concluded parliamentary Two Sessions meeting, including a 5% GDP growth target. Zn consumption forecasted to grow at 2% in 2024

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Iron Ore

Feb	Feb-March	YTD
-11.8%	-16.9%	-19.1%

Fe

Prices tumble on demand concerns but remain elevated based on historic norms

- The IODEX 62% Fe fines benchmark dropped to $100.20 per dry metric ton on March 15 from $129.50/t on Feb. 14 as sentiment cooled on changing expectations regarding the China demand outlook.
- Steel market fundamentals have deteriorated in China, with oversupply driving inventories up and prices and profitability down.
- Nevertheless, China's iron ore imports increased a robust 7.9% year over year in January-February combined to 209.5 million metric tons. Strong imports have fuelled stocks at China's ports, which rose to 138.2 MMt on March 8, helped by slower offtake from domestic steel mills.
- Brazil's exports edged down to 28.3 MMt in Feb, although this was 5.0 MMt higher YoY.
- Prices appear poised to head below $100.00/t in the near term. While a seasonal pickup in construction activity in China will help bolster prices, price forecasts remain subdued

Oil & Natural Gas

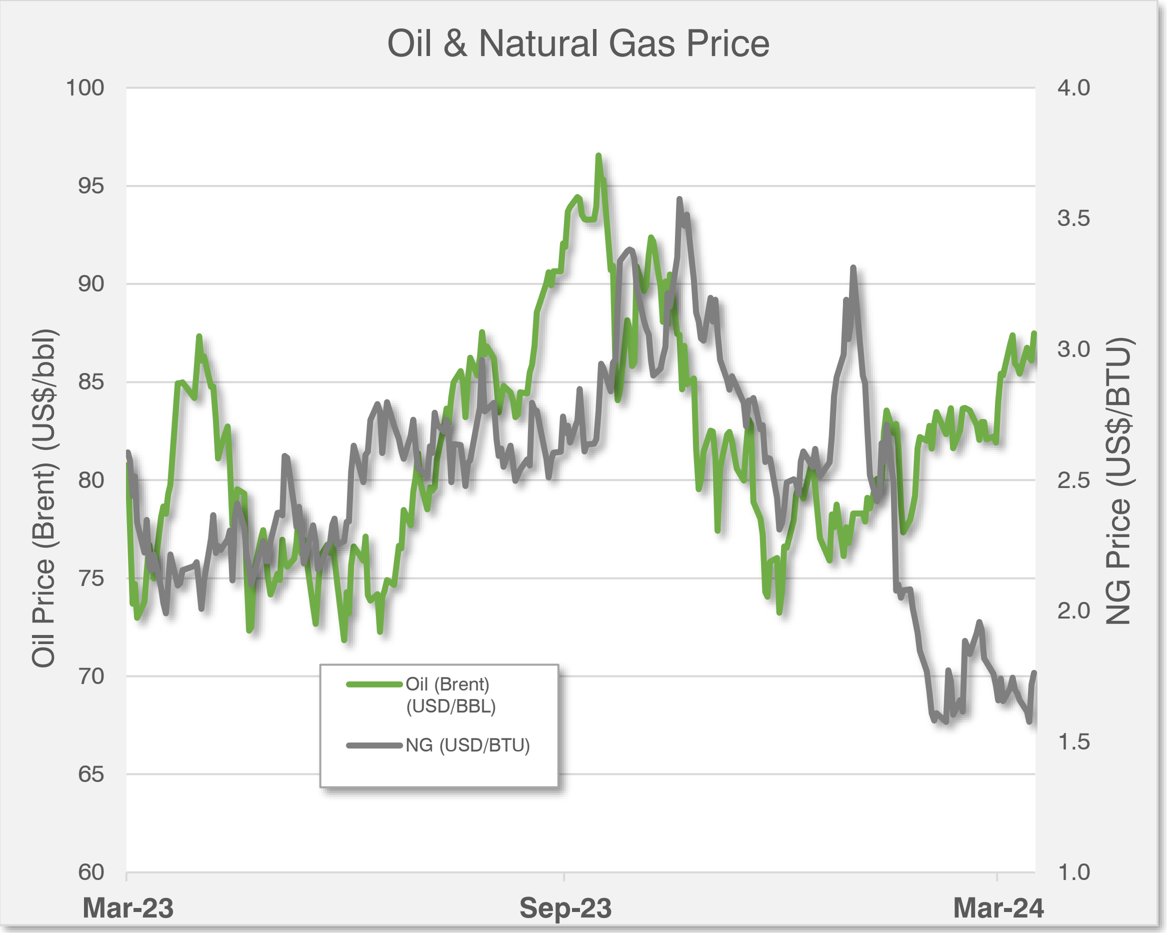
	Feb	Feb-March	YTD
Oil	6.3%	11.2%	15.3%
NG	-9.3%	-15.1%	-31.3%

Oil

NG

Oil & NG on different trajectories

- Oil investors turned bearish during the Q4 2023 & this decline has reversed in Q1 2024 as OPEC production strategies come into force, and heightened geopolitical tensions persist in the Middle East.
- Worries over perceived strength in US shale production and fears of potential recession-related demand weakness drove prices lower towards the end of 2023. Brent rose by 15% since the start of 2024 as tensions in the Middle East & Ukraine persist.
- Throughout the second half of 2023, the Energy Information Agency (EIA) released bearish data suggesting US production again surged after several consecutive years of disappointing growth. As of November 2023, the EIA claims that US production was still growing by a robust 1 m b/d year-on-year.
- Natural gas prices fell in North America and internationally during the fourth quarter of 2023 & this decline continues inro 2024 with NG prices down over 30% since the start of the year.
- Milder weather in all regions of USA materially affected inventories.



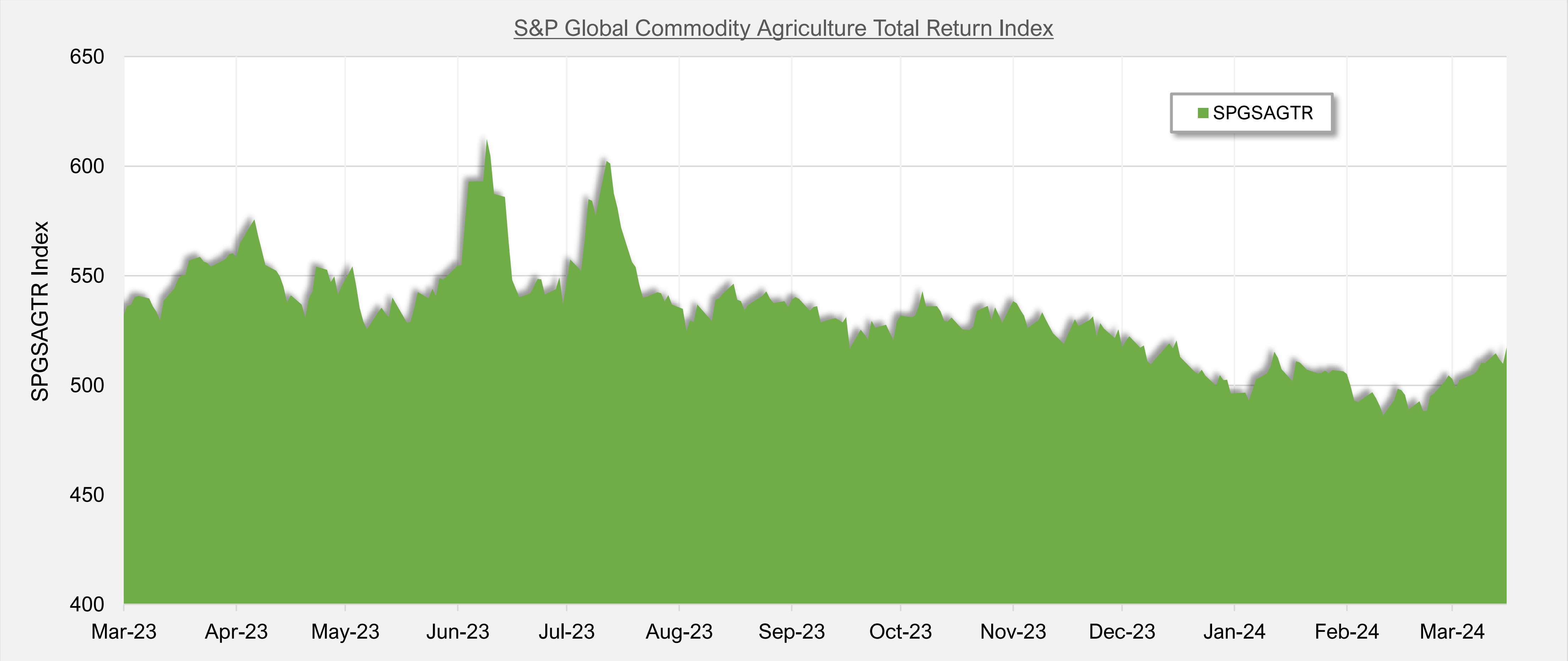
Agriculture

S&P GSCI Agriculture Index

Feb	Feb-March	YTD
-2.6%	1.7%	2.2%

Agri

This sub-index of the S&P GSCI, provides investors with a benchmark for investment performance in the agricultural commodity markets



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Agriculture

S&P GSCI Agriculture Index

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-2.6%	1.7%	2.2%

Agri

Large price increase in cocoa in March lifts overall Index

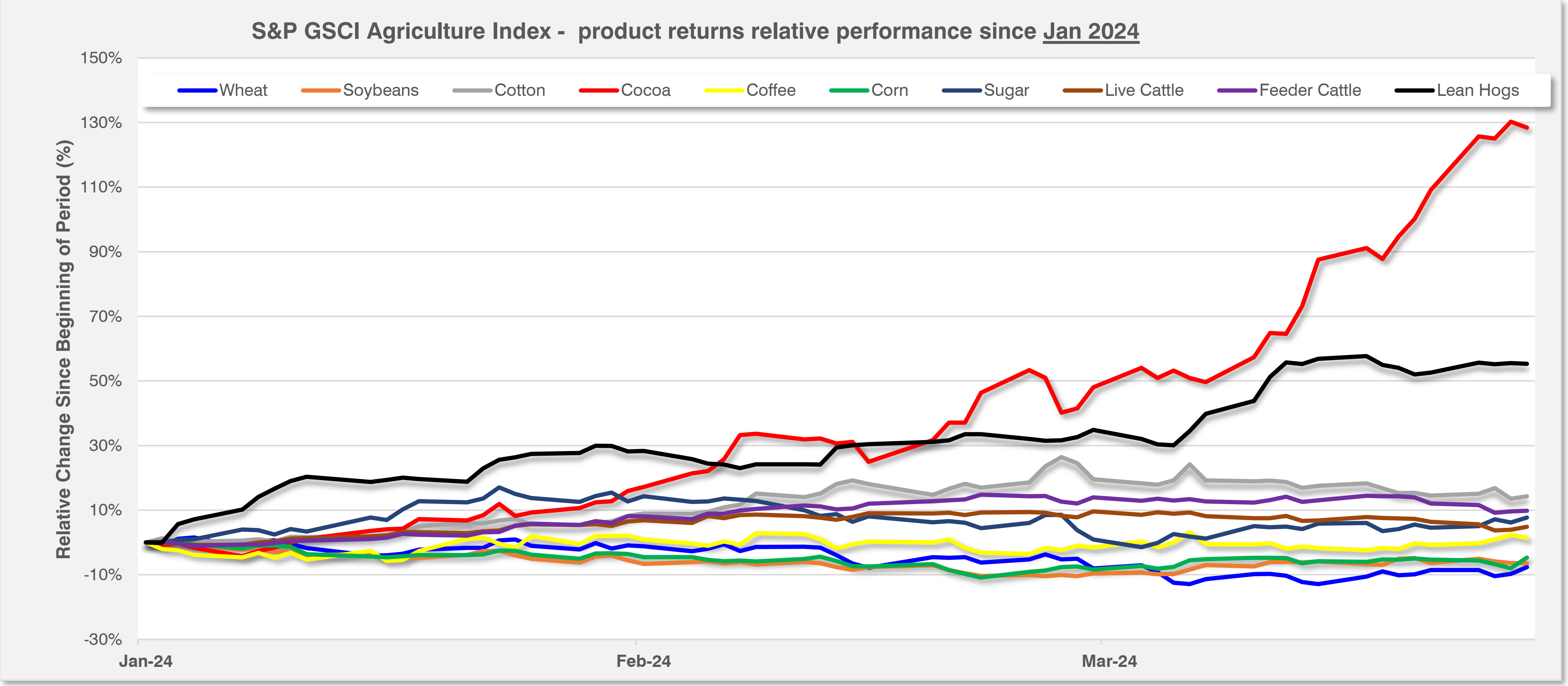

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Chart of the Month - Copper - Bullish Outlook Based on Fundamentals

Cu

Major supply shortage forecasted to emerge by 2027 (S&P 2024)

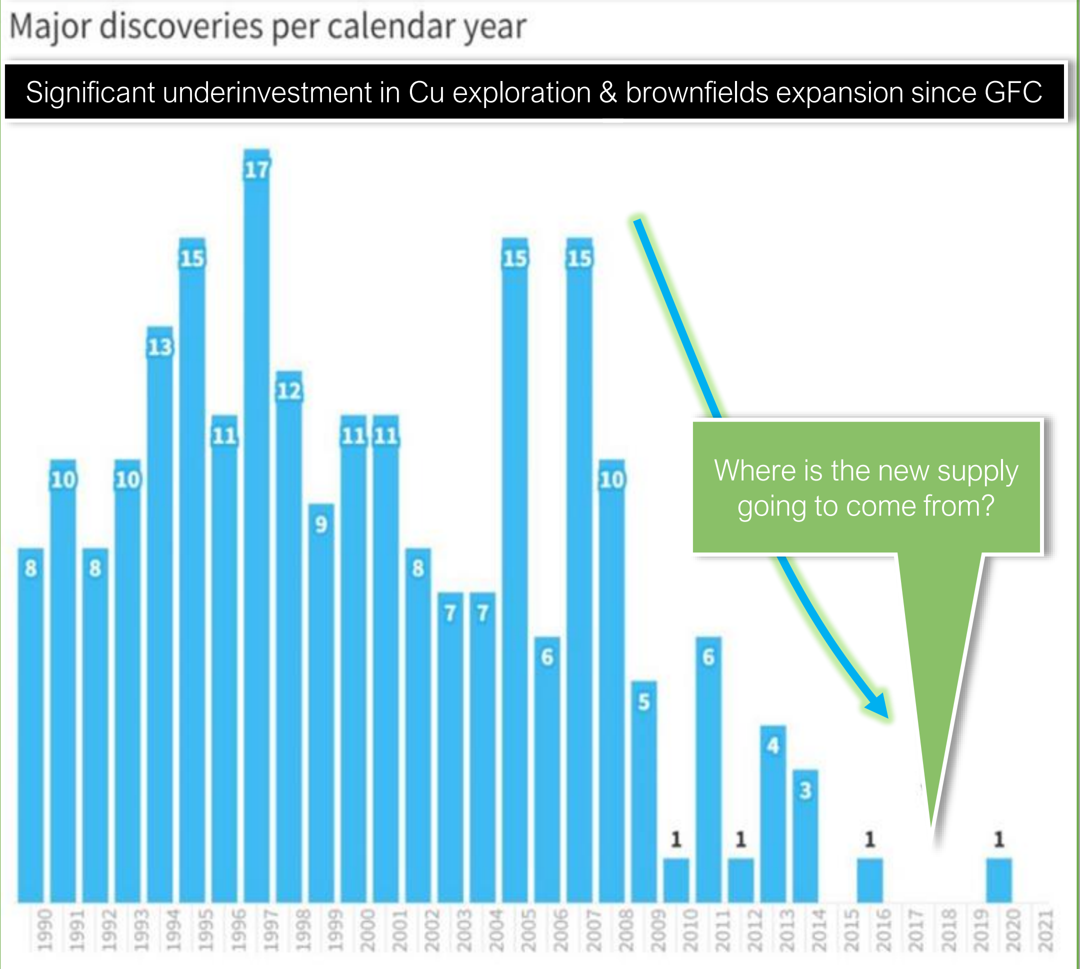
Copper forecast at a glance (000 t)

	2023e	2024f	2025f	2026f	2027f	2028f
Supply	26,000	26,931	28,311	29,174	29,638	30,122
Demand	26,026	26,784	27,771	28,720	29,670	30,575
Refined balance	-26	147	540	454	-32	-453
LME 3M price ($/t)	8,517	8,682	8,875	9,255	9,630	9,970

As of March 19, 2024.

- The shift toward decarbonisation will require vast amounts of Cu to extend transmission lines, install new wire in renewable power sources, and electrify existing appliances and cars.
- Despite this, the mining industry has spent the past decade moving much of its profits away from finding and developing major new copper projects.
- Preference for safe, short-term returns has led to a massive underinvestment in new copper mines and exploration, jeopardizing the metal-intensive energy transition.
- ⇒ COPPER PRICES ARE EXPECTED TO INCREASE OVER THE COMING YEARS TO INCENTIVISE NEW SUPPLY.

Major Cu discoveries since 1990 (Synergyrescap)



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References:

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