MINERAL AND ENERGY OUTLOOK
July 2019

Overview

- Australia's major commodity prices are at seven - year highs.
- US / China trade tensions and supply changes are placing downward pressure on commodity markets in the near term.
- Industrial production cycle heavily depends on China's ability to maintain recent rates of economic growth.

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Mineral and Energy Price Outlook (Near Term)

	Unit	Dec 18 a	Mar 19 a	Jun 19 s	Sep 19 s	Dec 19 f	Mar–20 f	Jun–20 f	Sep–20 f	Dec–20 f	Mar–21 f	Jun–21 f
Alumina fob Australia	US$/t	450	383	379	373	365	367	364	362	365	360	364
Aluminium LME cash	US$/t	1,971	1,859	1,832	1,892	1,931	1,946	1,918	1,981	2,022	1,991	1,976
Copper LME cash	US$/t	6,168	6,220	6,320	6,680	6,700	7,350	7,680	7,700	7,260	7,560	7,690
Gold LBMA PM	USD/Oz	1,228	1,304	1,318	1,327	1,355	1,378	1,385	1,392	1,399	1,426	1,433
Iron Ore fob Australia	US$/t	63	77	91	82	71	66	61	60	59	57	57
Nickel LME cash	US$/t	11,516	12,369	12,500	12,900	13,500	14,000	14,200	14,200	14,300	14,300	14,300
Zinc LME cash	US$/t	2,631	2,702	2,845	2,794	2,780	2,700	2,650	2,608	2,600	2,500	2,500
LNG fob	US$/MM Btu	10.1	10.3	8.3	9.1	9.5	9.6	9.6	9.5	9.3	9.1	9.1
Metallurgical Coal	US$/t	220	206	205	195	185	175	171	168	164	161	160
Thermal Coal fob 6000 kc	US$/t	100	96	80	79	78	77	75	75	73	71	70
Crude Oil (WTI)	US$/bbl	59	53	62	65	66	69	68	66	63	65	67
Crude Oil (Brent)	US$/bbl	68	62	70	73	74	75	74	72	69	69	71
Uranium	US$/t	28	27	26	27	29	32	34	34	35	36	37

a = Actual
s= Estimate
f = Forecast

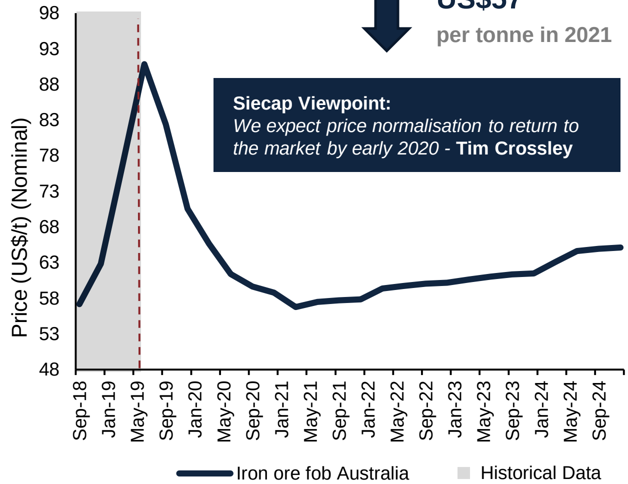
Mineral and Energy Price Outlook (Longer Term)

Iron Ore

- Iron ore forecast for the remainder of 2019 has raised to over **US$80/tonne** with respect to supply disruptions from Brazil and robust demand from China.
- Subsequently forecasted to decrease to **US$57/tonne** in **2021**, due to markets returning to balance.

Key Drivers:
Decline in Brazilian production due to mine closures in January from dam rupture had large impacts on seaborne supply. Constrained supply issues assisted in driving down China's iron ore port stocks by 17% YOY in May, demonstrating a tighter market and drove up prices. Additionally, China's steel production continues to grow with healthy profit margins and rising steel prices driving iron ore demand in the long run.

US$57
per tonne in 2021

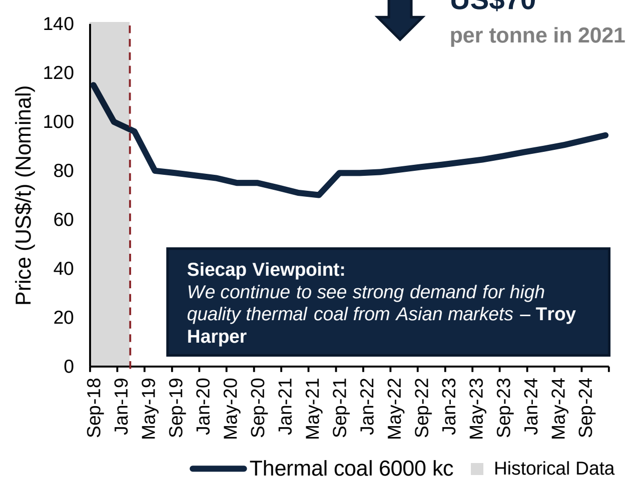


Thermal Coal

- Thermal coal (Newcastle 6,000Kcal/kg) is forecast to decline to **US$83/tonne** in **2019.**
- Expected to keep decreasing to **US$70/tonne** in **2021.**

Key Drivers:
Decrease in demand due to Northern Hemisphere being seasonally weak. Additionally, Chinese uncertainty is influencing the market paired with increasing use of hydro and nuclear power which is reducing demand for thermal coal. These demand constraints and large volumes entering seaborne markets are working to push down prices due to oversupply.
We note that the price spread on different coal quality expected to increase, as appetites for lower quality coal decrease to climate change.

US$70
per tonne in 2021

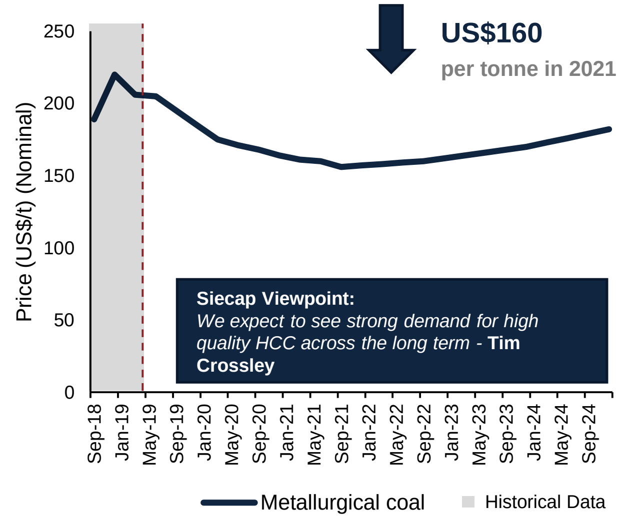


Metallurgical Coal

- Premium Australian hard coking coal (HCC) forecast for 2019 expected to decline to **US$198/tonne** reflecting supply growth.
- Subsequently (HCC) forecast to decrease to **US$160/tonne** in **2021** as supply growth continues to outpace demand.

Key Drivers:
Chinese trade disruption and uncertainty generates some downside risk to forecasts. However, prices expected to hold over the rest of the year supported by China's response to slower economic growth, including tax cuts and new packages of infrastructure investment. This will drive steel demand and thus metallurgical coal demand.

US$160
per tonne in 2021



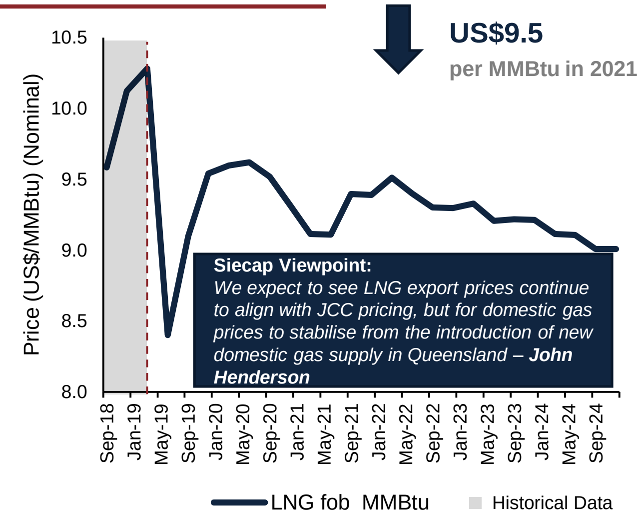
Mineral and Energy Price Outlook (Longer Term)

Gas

- LNG fob (spot price) forecast to be **US$9.5/MMBtu** by **December 2019.**
- Forecast to come back down to **US$9.1/MMBtu in 2021.**

Key Drivers:
LNG supply growth continues to outperform demand through out 2019, however capacity growth is expected to slow during 2021 as demand growth absorbs available capacity.

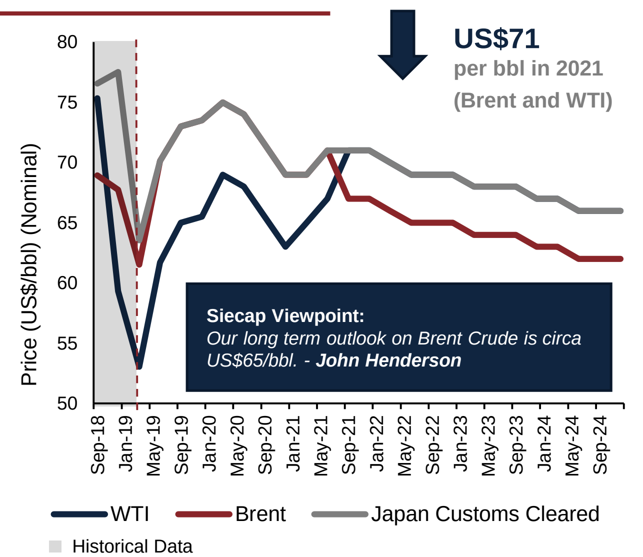
Prices are based on Australia's export unit values.



Oil

- Crude Oil (Brent) has a forecasted price **US$74/bbl** in 2019 while WTI is forecasted to increase to **US$66/bbl** in 2019.
- Brent and WTI prices expected to slow down in 2021 to **US$71/bbl** and **US$67/bbl** respectively.

Key Drivers:
The oil market has displayed large volatility reflecting uncertainty in supply prospects and global economic conditions. This is paired with policy changes in 2020 regarding international shipping which may place some upward pressure on crude oil prices. However, prices should show some resilience in 2021 supported by global economic growth.

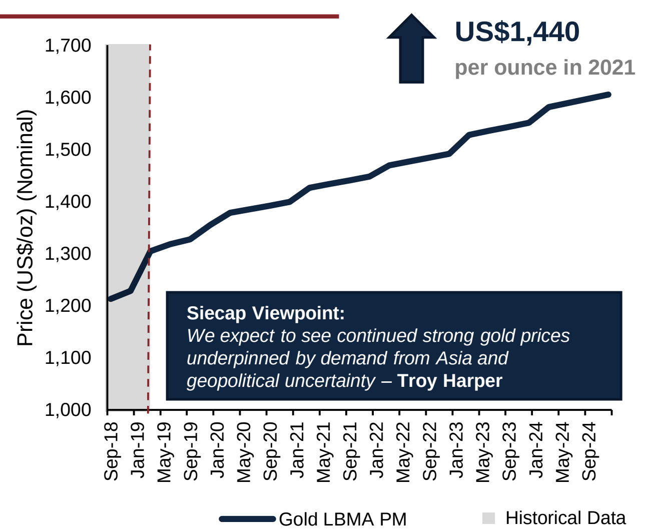


Gold

- Gold (LBMA PM) price forecasted to increase to **US$1,355 per ounce by December 2019.**
- Forecasted continued growth to **US$1,440** an ounce in **2021** likely supported by trade and geopolitical risks disrupting market confidence.

Key Drivers:
Gold prices are expected to perform well with trade tensions between US and China, Korean peninsula tensions over denuclearization, and conflict in the Middle East reducing business confidence.

Additionally, global jewelry consumption is forecasted to rise with strong demand from China due to economic growth and widening product offerings consequently supporting higher gold prices.



***Source:** Department of Industry, Innovation and Science, IHS Markit*

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