

COMMODITY PRICE REPORT

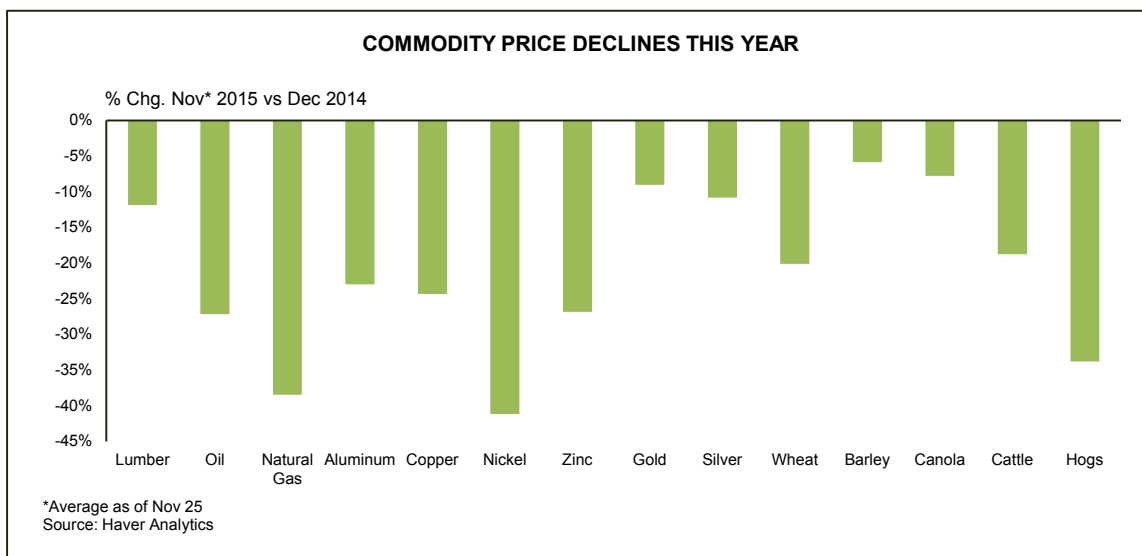


TD Economics

November 26, 2015

COMMODITY BEARS OUT IN FULL FORCE

- The commodity bears remain out in full force, with prices across the board stuck in the doldrums. A strong U.S. dollar, weakness in the Chinese economy and excess supply in several markets have continued to weigh on prices in recent months, with most major commodity prices now down by double digits this year.
- Unfortunately, further downside is likely in store in the very near term. With the Federal Reserve likely to lift rates off their lower bound in December, the greenback is expected to continue its upward trend into early-2016. Meanwhile, oversupplied markets and disappointing economic data in China will also help to pressure industrial commodity prices lower. That said, we suspect that the end is near, with most prices beginning to turn the corner by the second quarter of next year. While some commodity prices are forecast to bounce back strongly over the next two years – with double digit gains expected for nickel, zinc and oil – the level of prices for some will remain quite low.
- WTI crude oil prices have been hovering around the US\$40 per barrel mark in recent weeks. The output of higher-cost producers has remained resilient, new supply from Iran is pending, and OPEC is not expected to change its stance at its next meeting on December 4th, suggesting that the cartel is likely to continue producing above its quota. With demand growth unable to keep up, the glut in the global oil market continues to build. Going forward, oil prices will remain under pressure, not breaching the US\$50 per barrel mark before the second half of 2016. Even once production begins to taper off and grow more in line with demand towards the latter part of next year, prices will be hard-pressed to rise much above US\$60 per barrel as inventories will still need to be worked down.
- The weakness in China has been most acutely felt in the base metals markets, and prices are still vulnerable to any additional disappointing news surrounding economic activity in that country. However, the Chinese economy is reacting positively to the stimulus that has been injected; green shoots are beginning to appear and are likely to translate into increased demand for industrial met-



als. Meanwhile, supply cuts should also help tighten markets. Looking ahead, nickel and zinc continue to be the bright spots, with both markets expected to be in a deficit position, leading to a sharp rebound in prices over the next two years. In contrast, aluminum and copper markets are likely to remain in surplus, keeping prices under pressure.

- As the probability of a rate hike in the U.S. has risen, so too has the value of the U.S. dollar and yields. This has weighed on precious metals prices, with gold prices falling to a near 6-year low. Further appreciation of the U.S. dollar into early-2016 is likely to push precious metals prices down further in the coming weeks. Thereafter, prices should turn the corner as the U.S. dollar comes off its high, and inflation begins to normalize. Gold prices aren't expected to move much above US\$1200/oz over the forecast horizon.
- Lumber prices bounced off the lows reached in September, but lost momentum in recent weeks alongside the rest of the commodity complex. The outlook remains

bright, however, with plenty of upside for prices going forward. Strength in the U.S. housing market is expected to continue, with new home construction rising at a double digit pace in each of the next two years. Meanwhile, supply constraints in Canada due to the mountain pine beetle infestation will lead to higher operating rates and higher prices.

- Agricultural commodity markets have not been left unscathed, with both crop and livestock prices taking a hit in recent months. While crop markets should come off their recent lows, markets remain amply supplied following a third consecutive bumper crop year, which will keep a lid on prices going forward. Livestock prices should bounce back as demand in the Chinese economy – a key market for meat consumption – improves and overall demand picks up. That said, neither cattle nor hog prices are expected to reach last year's record highs, as hog herds are expanding and the cattle market faces competition from lower priced meats.



COMMODITY PRICE FORECAST SUMMARY									
	Spot Price Nov 25	2015		Q4			Annual Average		
		Q2	Q3	2015F	2016F	2017F	2015F	2016F	2017F
FORESTRY									
LUMBER	316.00	323.64	323.42	320.00	385.00	425.00	331.63	360.00	413.75
PULP	942.36	979.20	968.76	950.00	985.00	970.00	975.90	975.00	973.75
NEWSPRINT	505.00	550.00	518.33	505.00	530.00	560.00	538.33	521.25	546.25
ENERGY									
OIL	43.04	58.92	44.00	44.00	62.00	67.00	49.52	51.50	65.00
NAT GAS	2.06	2.78	2.75	2.25	3.00	3.80	2.66	3.00	3.44
COAL	52.80	59.93	59.02	53.00	75.00	85.00	59.24	63.25	82.50
PRECIOUS METALS									
GOLD	1068.00	1190.81	1105.00	1105.00	1200.00	1075.00	1159.59	1131.25	1143.75
SILVER	14.16	16.44	14.75	14.75	16.50	14.75	15.72	15.25	15.61
NON-PRECIOUS METALS & MINERALS									
ALUMINUM	64.79	79.47	72.07	68.00	78.00	84.00	75.30	74.50	81.50
COPPER	205.97	274.88	238.17	225.00	225.00	250.00	250.53	227.00	236.25
NICKEL	3.92	5.94	4.78	4.50	6.25	8.00	5.43	5.81	7.50
ZINC	70.55	99.25	83.61	75.00	110.00	120.00	88.07	99.50	117.50
URANIUM	36.10	36.29	36.53	36.00	46.00	55.00	36.70	43.00	52.00
AGRICULTURE									
WHEAT	6.55	7.34	6.39	6.40	7.00	7.50	6.90	6.79	7.30
BARLEY	162.39	174.86	170.45	164.00	175.00	190.00	168.18	171.00	185.00
CANOLA	374.11	413.45	400.52	380.00	430.00	500.00	398.50	417.50	466.25
CATTLE	130.65	152.88	144.20	132.00	138.00	138.00	146.61	138.00	136.50
HOGS	58.00	78.87	73.36	60.00	68.00	70.00	70.03	67.25	71.75



COMMODITY PRICE FORECAST SUMMARY: % CHANGE								
	2015		Q4			Annual Average		
	Q2	Q3	2015F	2016F	2017F	2015F	2016F	2017F
FORESTRY								
LUMBER	-10.0%	-0.1%	-14.6%	20.3%	10.4%	-13.4%	8.6%	14.9%
PULP	-2.6%	-1.1%	-7.5%	3.7%	-1.5%	-4.6%	-0.1%	-0.1%
NEWSPRINT	-5.2%	-5.8%	-15.8%	5.0%	5.7%	-11.0%	-3.2%	4.8%
ENERGY								
OIL	21.0%	-21.1%	-39.7%	40.9%	8.1%	-46.9%	4.0%	26.2%
NATURAL GAS	-3.3%	-1.2%	-40.0%	33.3%	26.7%	-39.0%	12.7%	14.6%
COAL	-7.8%	-1.5%	-16.5%	41.5%	13.3%	-16.5%	6.8%	30.4%
PRECIOUS METALS								
GOLD	-2.2%	-5.6%	-7.9%	8.6%	-10.4%	-8.4%	-2.4%	1.1%
SILVER	-1.8%	-9.3%	-10.5%	11.9%	-10.6%	-17.6%	-3.0%	2.4%
NON-PRECIOUS METALS & MINERALS								
ALUMINUM	-2.7%	-9.3%	-23.7%	14.7%	7.7%	-11.0%	-1.1%	9.4%
COPPER	4.1%	-13.4%	-25.1%	0.0%	11.1%	-19.5%	-9.4%	4.1%
NICKEL	-8.8%	-19.5%	-37.1%	38.9%	28.0%	-29.0%	7.0%	29.0%
ZINC	5.1%	-15.8%	-26.0%	46.7%	9.1%	-10.2%	13.0%	18.1%
URANIUM	-4.4%	0.7%	-4.9%	27.8%	19.6%	9.8%	17.2%	20.9%
AGRICULTURE								
WHEAT	-1.4%	-13.0%	-20.9%	9.4%	7.1%	-20.6%	-1.6%	7.6%
BARLEY	7.0%	-2.5%	-2.3%	6.7%	8.6%	1.0%	1.7%	8.2%
CANOLA	3.4%	-3.1%	-7.9%	13.2%	16.3%	-8.9%	4.8%	11.7%
CATTLE	-2.9%	-5.7%	-20.5%	4.5%	0.0%	-3.2%	-5.9%	-1.1%
HOGS	16.2%	-7.0%	-34.0%	13.3%	2.9%	-33.8%	-4.0%	6.7%

MEASURES & QUOTED PRICES (\$ is US\$ unless stated otherwise; C\$ prices converted to US\$ using daily C\$/US\$ exchange rate).
FORESTRY*
Lumber: Random Lengths' Framing Lumber Composite (\$/1000 Bd Ft) Pulp: NBSK, delivered in east U.S. (\$/mt) Newsprint: New York (\$/mt)
ENERGY**
Oil: Domestic Spot Market Price: West Texas Intermediate, Cushing (\$/Barrel) Natural Gas: Henry Hub, LA (\$/mmbtu) Coal: Austr. Therm (\$/mt)
PRECIOUS METALS**
Silver: Cash price: Silver, Troy Oz, Handy & Harman Base Price (\$/Troy oz) Gold: Cash Price: London Gold Bullion, PM Fix (\$/Troy oz)
NON-PRECIOUS METALS & MINERALS**
Aluminum: LME Aluminum, 99.7% Purity: Closing Cash Price (Cents/lb) Copper: LME Copper, Grade A: Closing Cash Price (Cents/lb) Nickel: LME Nickel: Closing Cash Price (\$/lb) Zinc: LME Zinc: Closing Cash Price (Cents/lb) Uranium: Ux U308 (\$/lb)
AGRICULTURE*
Wheat: Spring, 14% Protein: Minneapolis (\$/bu) Barley: Canada: Cash Prices: Feed Barley: Lethbridge: Grade 1 CW (C\$/mt) Canola: Canada: Cash Pr: Canola: Instore Vancouver: Grade 1 Canada NCC (C\$/mt) Cattle: Live Cattle Futures Price: 1st Expiring Contract Open (Cents/lb) Hogs: Lean Hogs Futures Price: 1st Expiring Contract Open (Cents/lb)
Sources: WSJ, FT, Ux Weekly, Random Lengths, Pulp & Paper Weekly, GlobalCoal, Comtex, WCE, FRBNY / Haver Analytics. * Forecasts by TD Economics; ** Forecasts by TD Securities



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