

## PRESS RELEASE

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### **Losses and gains – End of the downswing in raw material markets?**

A short time ago, a decrease of the crude oil price to as low as USD 20 per barrel in the course of this year was considered to be likely. Now, we observe an increase in the price of Brent and WTI. Prices for metals – especially the gold price – are also on the rise. A turnaround?



Since the autumn of last year, the prices for the most important raw materials have been moving in just one direction: downwards. Price recoveries turned out to be only temporary. Main drivers were the lower than expected forecasts for the world economy and the deterioration of crude oil prices. This tendency was accompanied by a rapid decline in the stock prices of companies specialized in the exploitation and production of raw materials: Their stock prices plummeted by as much as 70% compared to the levels of five years ago.

Now, a fresh wind again appears to be blowing through raw material prices. In particular, the increasing activities of crude oil exporting countries are firing the imagination of market participants. For example, Russia – which is itself not a member of OPEC (Organization of Oil Exporting Countries) – wishes to pursue further negotiations with representatives of the oil cartel, as well as with Kazakhstan and with Azerbaijan.

Additionally, the Russian Energy Minister is about to schedule a meeting with Iran, which is reentering the international crude oil markets after years of embargo and which resists any production cuts in OPEC. Shortly after these plans were announced, the crude oil price moved up from USD 30 to USD 40 per barrel.

This price corresponds approximately to the threshold for the economic exploitation of non-conventional oil resources, such as fracking, deep sea, or oil sand processing. Russian oil production also becomes profitable from this level onwards.

Meanwhile, it has been leaked that Saudi Arabia would also back a further stabilization of crude oil prices, along with other advocates such as Venezuela or Qatar. If an agreement were to be reached between these countries, Iran, and Russia, the crude oil price could move up to USD 50 and above. A possible slowdown of the world economy

could not really stifle this movement, because the crude oil demand does not usually drop dramatically when economic growth slackens.

The mining business recently also turned more optimistic again. The gold price has increased considerably since the beginning of this year, and other metals such as aluminum, copper, and zinc are also still in heavy demand. In fact, stock prices for mining companies have increased by 20 to 50% since the beginning of this year.

Only the forecasts for the steel market remain dull, due to overcapacities and increasing steel exports from China. The steel price is expected to further give way in the course of this year.

Upcoming weeks will be decisive for the further development of this year's raw material prices. After the price tumble that set in last year, the future is again looking a lot brighter.

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