

## July 2019 Commodities Performance Highlights – A Nickel for Your Thoughts



Fiona Boal

Head of Commodities and Real Assets  
S&P Dow Jones Indices

August 1, 2019 - 10:18 am

Commodities markets hit the summer doldrums in July. The S&P GSCI [<https://spindices.com/indices/commodities/sp-gsci>] was down 0.2% for the month and 13.1% YTD. The Dow Jones Commodity Index (DJCI) [<https://spindices.com/indices/commodities/dow-jones-commodity-index>] was down 0.8% in July and up 6.1% YTD, reflecting its lower energy weighting. Impressive rallies in nickel and silver markets were pitched against a slump in agriculture prices, leaving the broad commodities indices little changed over the month.

The S&P GSCI Petroleum [<https://spindices.com/indices/commodities/sp-gsci-petroleum>] ended the month up 0.7%. Oil prices have remained relatively stable despite a serious escalation of geopolitical tensions in the Middle East, which may speak to a global economy that is weakening at a notable pace. It is also likely that U.S. production is now acting as a firewall against the geopolitical risks apparent in the global economy.

The S&P GSCI Industrial Metals [<https://spindices.com/indices/commodities/sp-gsci-industrial-metals>] ended the month up marginally, with most metals displaying bland monthly and YTD performance. However, there has been one notable exception; the S&P GSCI Nickel [<https://eu.spindices.com/indices/commodities/sp-gsci-nickel>] was the big outperformer in July, up 14.4% on the back of a widening global market deficit and the ongoing contraction in visible inventories. Nickel inventories at the London Metal Exchange are the lowest since January 2013, having fallen by 30% since the beginning of 2019. Little progress at the Sino-U.S. trade talks at the end of July and the Chinese Purchasing Managers' Index suggesting another month of contraction in manufacturing activity present significant head winds for industrial metals into the end of the year.

After the U.S. Fed cut rates as expected amidst a revival of global central bank easing, gold's performance cooled slightly into the end of the month. According to the World Gold Council, global gold demand rose 8% in the first half of the year driven by central bank buying and a flurry of funds into gold-based exchange-traded products. The S&P GSCI Silver [<https://spindices.com/indices/commodities/sp-gsci-silver>] spiked 7.1% higher in July, with some speculators betting silver will catch up to gold's double-digit YTD performance.

It was a poor month for agricultural commodities, with the S&P GSCI Agriculture [<https://spindices.com/indices/commodities/sp-gsci-agriculture>] falling 5.5%. Grain market participants remain wary regarding the exact size and condition of the U.S. crop after heavy rain caused unprecedented planting delays in spring. Many are waiting for the USDA to issue updates on how much corn and soybeans were planted in a report to be issued by the USDA next month. There were conflicting reports over the month regarding the purchase of U.S. soybeans by Chinese crushers, but with little official progress in the trade talks between China and the U.S. the return of this major export market seems some way off. The S&P GSCI Coffee [<https://spindices.com/indices/commodities/sp-gsci-coffee>] fell 8.8% in July. A frost scare in Brazil early in the month sent prices to 2019 highs, but prices subsequently fell as crop damage appeared minimal.

The so-called Chinese protein gap and falling feed prices offered some support to U.S. livestock markets in July. The S&P GSCI Livestock [<https://spindices.com/indices/commodities/sp-gsci-livestock>] rallied 3.1% for the month. China, the world's largest pork producer and consumer, has reported more than 140 outbreaks of African swine fever since the first case was reported in August 2018. Despite a 63% tariff on U.S. pork, China is still buying U.S. pork, though not at pre-trade war levels.

The posts on this blog are opinions, not advice. Please read our Disclaimers [<http://Us.Spindices.Com/Regulatory-Affairs-Disclaimers/>].