

RBC commodity price index



Index excluding energy product prices



Energy products sub-index



RBC's commodity price index is a Fisher chain-weighted index of spot or transaction prices of 24 of the top exported Canadian-produced commodities. The weight of each commodity in the overall index and various sub-indices is determined by its share of exports and is updated annually in February.

COMMODITY PRICE MONITOR

August 29, 2019

Despite Oil Glut, Increase driven by Energy Sector in July

The RBC Commodity Price Index increased 2.3% in July, largely driven by rising prices of crude oil. This was the first increase since April, and the index was still down 10.8% year-over-year. The month-over-month increase and year-over-year decline were substantially smaller when energy was excluded from the index.

- **The energy products sub-index increased 4.1% in July.** Crude prices rebounded 5.1% m/m last month, although prices are still down nearly 19% year-over-year due to continued excess global supply and lower manufacturing demand. This month's surge in prices reflects OPEC's continued commitment to curtailments and persistence of U.S. bottlenecks.
- **The agricultural products sub index fell 3% in July.** This was largely fueled by a 9% y/y decline in wheat due to a buildup in supply, largely driven by Russian production.¹ The U.S. corn index fell slightly last month, but is up over 21% y/y following the spring's delayed plantings.
- **The forest products sub-index dropped 3.2% in July.** Canadian production curtailments have not proven to have an impact on lumber prices, which are down 37% y/y. According to RBC equity analysts, decreases in pulp prices alongside heightened inventories is typical and reflective of seasonal demand during summer months.
- **The non-precious metals & minerals sub-index rose 3.4% in July.** This was driven by price increases across the board, with the exception of zinc. At the beginning of July, iron ore prices peaked and have since been on the decline. Nevertheless, world steel production is up, mostly due to 9.4% y/y increase in China.² Copper prices increased slightly in July.
- **The precious metals sub-index rallied 4% in July.** Gold prices have not reached this level since May 2013. The gravitation towards gold continues amidst trade war uncertainty and Fed rate cuts in the U.S., and

Meanwhile, in Canada...

- Alberta's oil production curtailments have been extended to December 2020. The Canadian oil glut continues, as Line 3 pipeline expansion faces delays.⁴ Ottawa has announced that construction will begin on the Trans Mountain oil pipeline extension, and Keystone XL has overcome a major hurdle when Nebraska supreme Court approved its route.⁵
- BC mill curtailments have yet to prove effective. RBC analysts suggest that it may take some time for the curtailments to have an effect, due to a prior buildup of inventory.⁶



RBC commodity price sub-indices

Agricultural products sub-index



Source: RBC Economics Research

Forest products sub-index



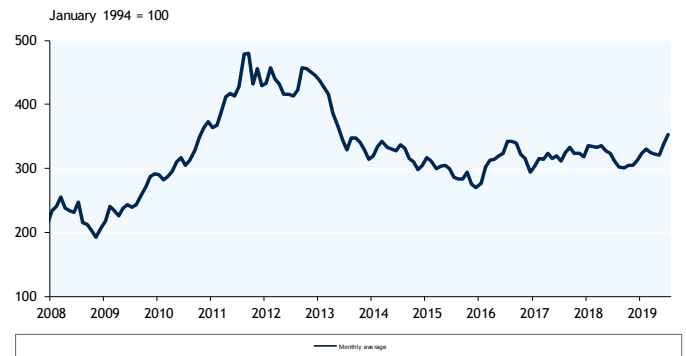
Source: RBC Economics Research

Non-precious metals & minerals sub-index



Source: RBC Economics Research

Precious metals sub-index



Source: RBC Economics Research

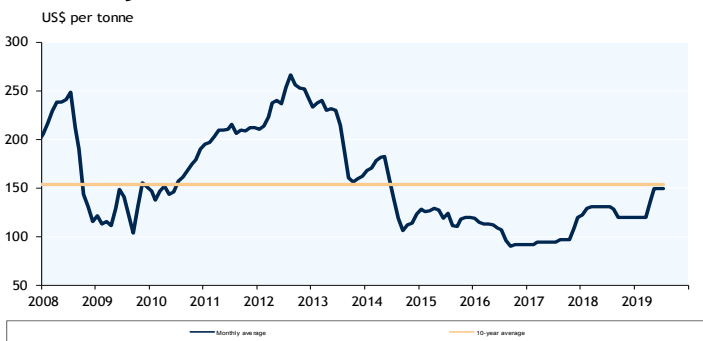
	Period averages								
	2016	2017	2018	Q4-18	Q1-19	Q2-19	May-19	Jun-19	Jul-19
Indices									
RBC commodity price index	171.3	199.6	230.2	214.0	210.9	215.5	214.5	210.0	214.8
<i>Month-over-month/quarter-over-quarter % change</i>				-8.8	-1.4	2.2	-3.4	-2.1	2.3
<i>Year-over-year % change</i>	-4.7	16.5	15.3	0.4	-8.5	-10.8	-12.8	-13.6	-10.8
RBC commodity price index ex. energy	155.0	175.3	190.2	173.7	180.7	179.1	174.2	184.7	185.6
<i>Month-over-month/quarter-over-quarter % change</i>				-7.2	4.0	-0.9	-2.3	6.1	0.5
<i>Year-over-year % change</i>	-1.0	13.1	8.6	-6.6	-7.9	-12.2	-15.7	-9.9	-4.7
Sub-indices									
Agricultural products	117.0	128.5	127.5	121.0	124.8	120.4	118.1	123.0	119.3
<i>Month-over-month/quarter-over-quarter % change</i>				-1.6	3.2	-3.6	-1.7	4.2	-3.0
<i>Year-over-year % change</i>	-6.7	9.8	-0.8	-7.7	-5.4	-10.3	-13.4	-6.9	-5.4
Energy products	172.9	206.1	255.1	240.8	221.7	232.7	237.2	212.9	221.7
<i>Month-over-month/quarter-over-quarter % change</i>				-10.9	-7.9	5.0	-4.4	-10.2	4.1
<i>Year-over-year % change</i>	-9.6	19.2	23.8	8.8	-10.5	-11.0	-11.4	-19.1	-18.7
Forest products	111.1	136.1	165.7	132.4	139.3	131.2	123.9	141.6	137.1
<i>Month-over-month/quarter-over-quarter % change</i>				-22.0	5.2	-5.8	-3.3	14.2	-3.2
<i>Year-over-year % change</i>	4.3	22.5	21.8	-13.5	-17.4	-31.6	-37.4	-28.4	-26.8
Non-precious metals & minerals	172.1	193.9	205.6	196.9	200.7	207.6	205.4	206.4	213.5
<i>Month-over-month/quarter-over-quarter % change</i>				-1.5	2.0	3.4	-2.7	0.5	3.4
<i>Year-over-year % change</i>	-8.0	12.7	6.0	-3.0	-5.7	-2.5	-3.9	-3.5	5.7
Precious metals	316.7	318.6	318.7	307.5	326.6	326.9	320.5	338.6	352.2
<i>Month-over-month/quarter-over-quarter % change</i>				1.0	6.2	0.1	-0.3	5.6	4.0
<i>Year-over-year % change</i>	7.8	0.6	0.0	-4.4	-2.2	-0.5	-2.2	4.9	13.1



Commodity prices trends

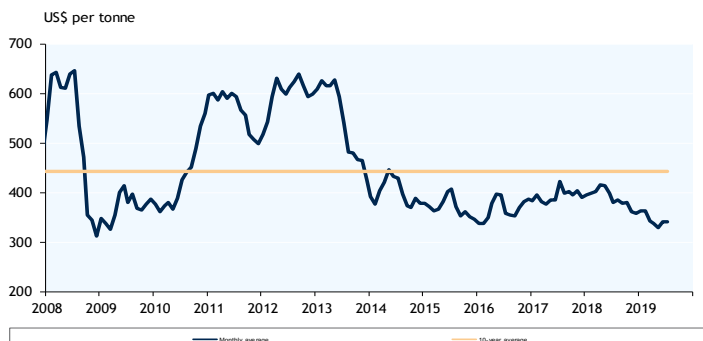
Agricultural products

Barley



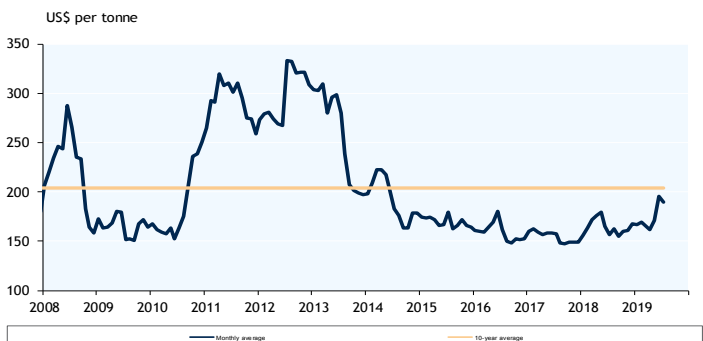
Source: Haver Analytics, RBC Economics Research

Canola



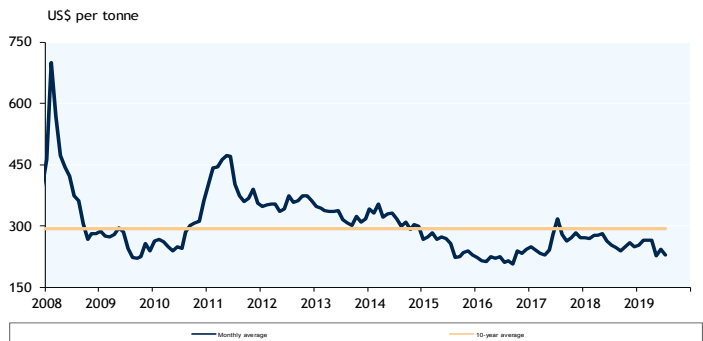
Source: Haver Analytics, RBC Economics Research

Corn



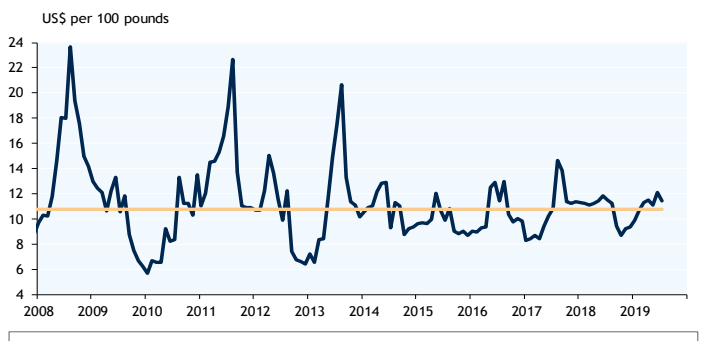
Source: Haver Analytics, RBC Economics Research

Wheat



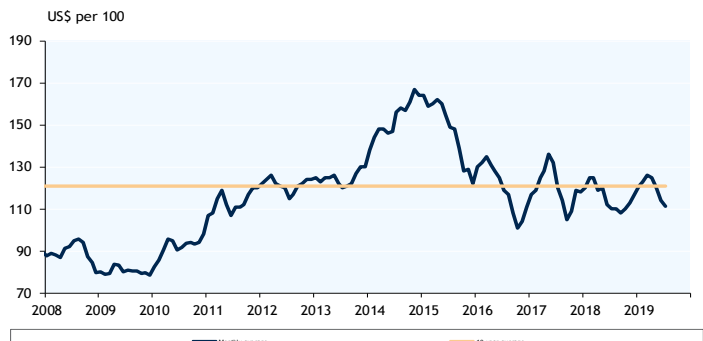
Source: Haver Analytics, RBC Economics Research

Potatoes



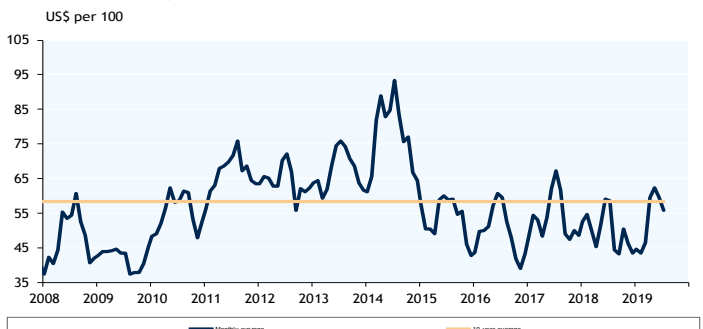
Source: Haver Analytics, RBC Economics Research

Live cattle



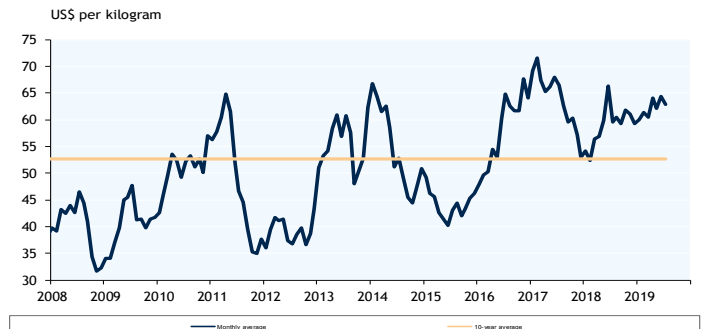
Source: Haver Analytics, RBC Economics Research

Live hogs



Source: Haver Analytics, RBC Economics Research

Salmon



Source: INSEE, RBC Economics Research

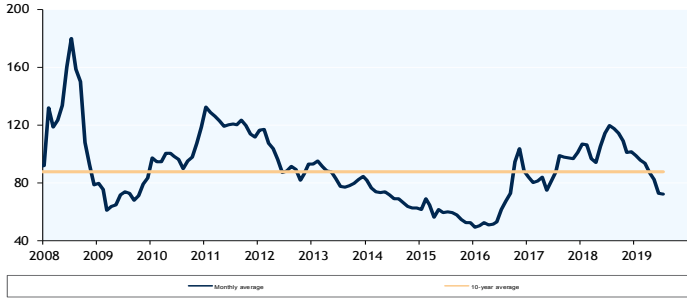


Commodity price trends

Energy products

Coal

US\$ per tonne

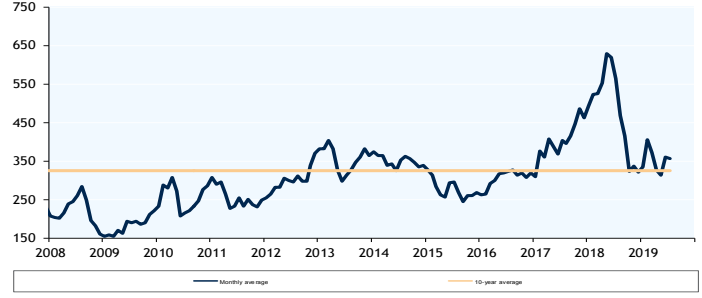


Source: Haver Analytics, RBC Economics Research

Forest products

Lumber

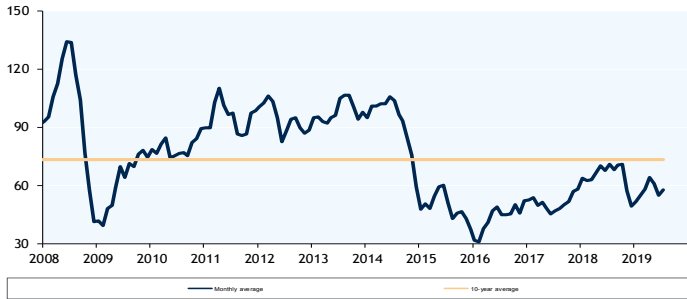
US\$ per 1,000 board feet



Source: Haver Analytics, RBC Economics Research

Crude oil (WTI)

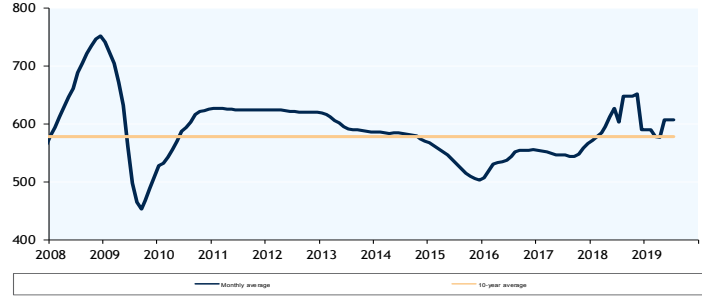
US\$ per barrel



Source: Haver Analytics, RBC Economics Research

Newsprint

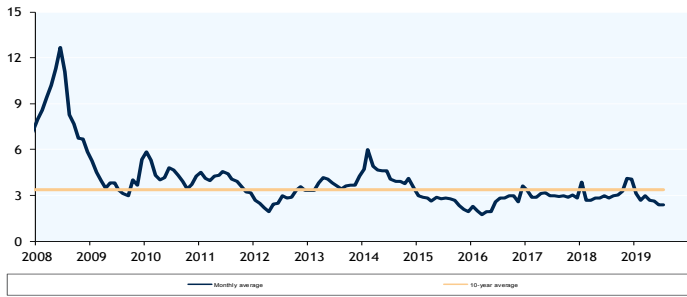
US\$ per tonne



Source: Bloomberg, RBC Economics Research

Natural gas

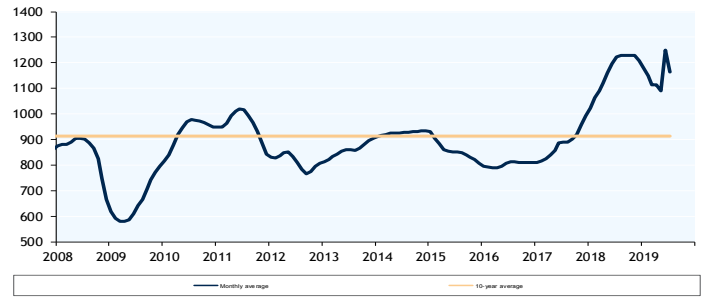
US\$ per million British thermal units



Source: Haver Analytics, RBC Economics Research

Pulp

US\$ per tonne

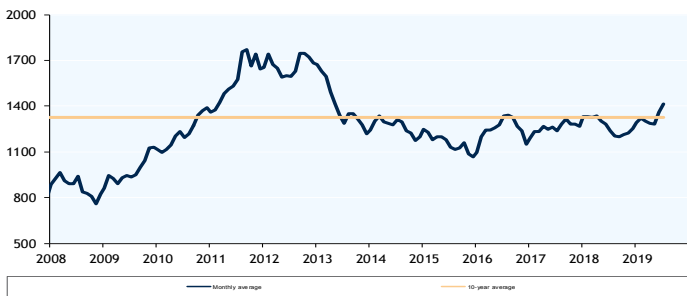


Source: INSEE, RBC Economics Research

Precious metals

Gold

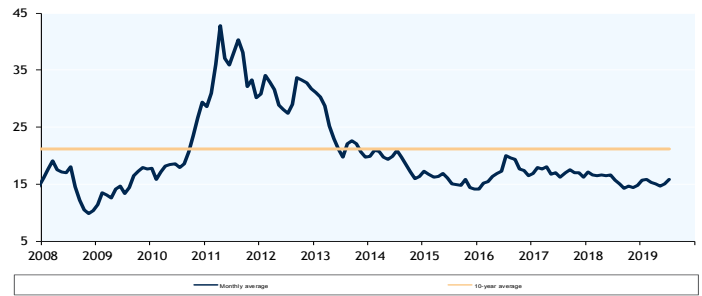
US\$ per troy ounce



Source: Haver Analytics, RBC Economics Research

Silver

US\$ per troy ounce



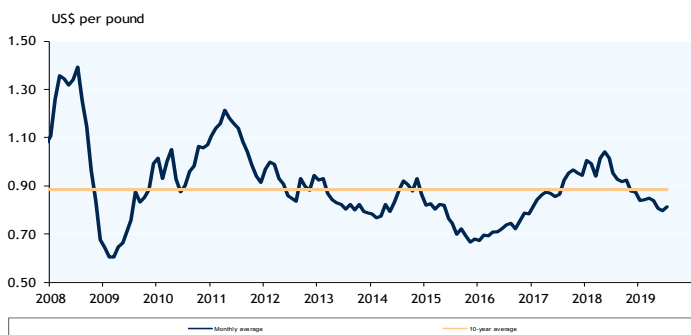
Source: Haver Analytics, RBC Economics Research



Commodity price trends

Non-precious metals & minerals

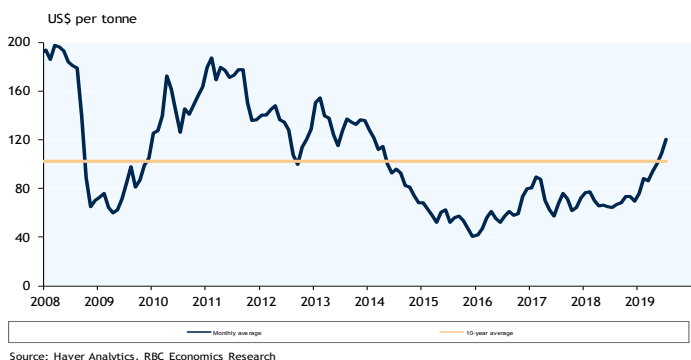
Aluminum



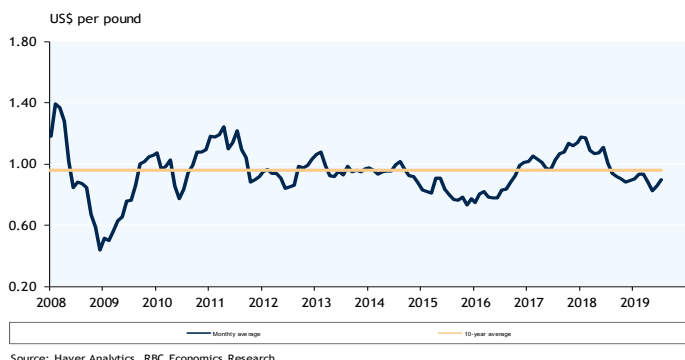
Copper



Iron ore



Lead



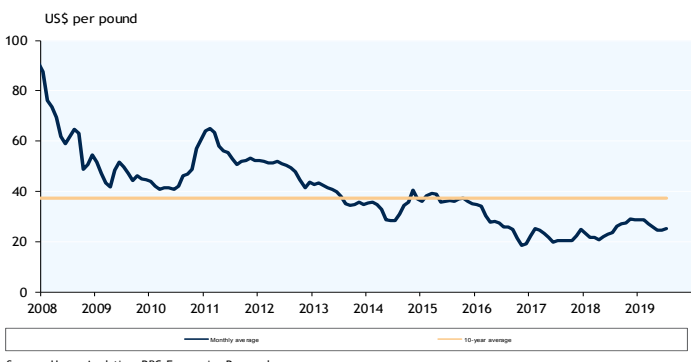
Nickel



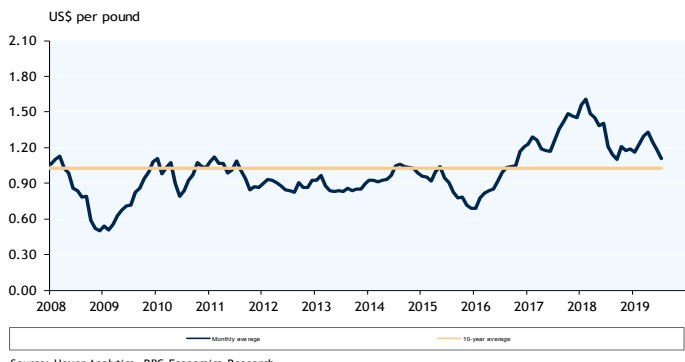
Potash



Uranium



Zinc





Commodity price trends

Period averages

	2016	2017	2018	Q4-18	Q1-19	Q2-19	May-19	Jun-19	Jul-19
Agricultural products									
Barley (US \$/tonne)	103.9	97.6	125.9	119.4	119.4	145.0	149.3	149.3	149.3
<i>Year-over-year % change</i>	-14.4	-6.0	28.9	10.3	-6.1	10.8	14.0	14.0	14.0
Canola (US \$/tonne)	366.0	393.2	388.6	365.9	356.1	335.5	328.1	341.0	341.0
<i>Year-over-year % change</i>	-1.3	7.4	-1.2	-7.7	-10.6	-18.0	-20.6	-14.5	-10.3
Corn (US \$/tonne)	159.2	154.5	164.4	162.8	167.5	175.9	171.1	195.1	189.4
<i>Year-over-year % change</i>	-6.2	-2.9	6.4	9.4	2.3	1.5	-4.5	18.2	21.1
Wheat (US \$/tonne)	221.9	262.8	261.2	252.2	260.4	233.7	227.1	242.1	228.2
<i>Year-over-year % change</i>	-12.2	18.4	-0.6	-8.2	-4.5	-14.8	-19.4	-8.0	-9.3
Potatoes (US \$/cwt)*	10.53	10.55	10.62	9.08	10.63	11.26	11.10	12.10	11.17
<i>Year-over-year % change</i>	7.3	0.2	0.6	-19.7	-5.1	-1.8	-2.6	2.5	-5.4
Live cattle (US \$/cwt)	120.1	120.2	115.8	113.3	123.3	120.6	120.0	114.0	111.3
<i>Year-over-year % change</i>	-18.8	0.1	-3.7	-1.7	0.0	3.0	0.0	1.8	1.2
Live hogs (US \$/cwt)	49.6	53.6	49.9	46.6	44.8	60.3	62.3	59.5	55.9
<i>Year-over-year % change</i>	-7.3	8.0	-6.9	-4.1	-14.4	16.0	21.0	0.7	-4.7
Salmon (US \$/kg)**	58.16	63.86	58.94	60.70	60.28	63.47	62.10	64.30	62.90
<i>Year-over-year % change</i>	31.8	9.8	-7.7	6.8	11.0	4.0	3.8	-3.0	5.7
Energy									
Coal (US \$/tonne)	66.1	88.5	107.0	103.6	95.7	80.5	82.3	72.5	72.1
<i>Year-over-year % change</i>	12.2	33.9	20.9	5.5	-7.1	-22.9	-21.8	-36.6	-39.7
Crude Oil (US \$/barrel)	43.2	50.9	64.8	59.0	54.9	59.8	60.9	54.7	57.4
<i>Year-over-year % change</i>	-11.3	17.8	27.4	6.5	-12.8	-11.9	-13.1	-19.0	-18.7
Natural Gas (US \$/mmbtu)	2.49	2.96	3.14	3.80	2.92	2.56	2.64	2.40	2.37
<i>Year-over-year % change</i>	-4.6	18.8	6.1	31.0	-5.3	-10.3	-5.7	-19.2	-16.3
Forest products									
Lumber (US \$/1000 board ft)	305.0	400.9	480.4	326.7	370.4	332.6	312.0	359.8	356.0
<i>Year-over-year % change</i>	10.0	31.4	19.8	-29.6	-27.8	-44.5	-50.4	-41.8	-36.9
Newsprint (US \$/tonne)	539.4	550.3	612.6	629.0	585.0	596.4	606.3	606.3	606.3
<i>Year-over-year % change</i>	1.0	2.0	11.3	12.9	1.3	-2.4	-0.9	-3.2	0.5
Pulp (US \$/tonne)	802.1	882.0	1167.0	1222.7	1147.9	1151.6	1089.9	1250.0	1163.1
<i>Year-over-year % change</i>	-6.4	10.0	32.3	27.9	8.4	-0.6	-6.1	4.5	-4.8

Source: Haver Analytics, Bloomberg, RBC Economics Research; * latest potato price based on percent change in BLS PPI index

**Salmon prices changed to INSEE data



Commodity price trends

Period averages

	2016	2017	2018	Q4-18	Q1-19	Q2-19	May-19	Jun-19	Jul-19
Non-precious metals & minerals									
Aluminum (US \$/lb)	0.73	0.89	0.96	0.89	0.84	0.81	0.81	0.80	0.81
Year-over-year % change	-3.4	22.7	7.2	-6.3	-13.9	-20.7	-22.5	-21.7	-14.6
Copper (US \$/lb)	2.21	2.80	2.96	2.80	2.82	2.77	2.73	2.66	2.69
Year-over-year % change	-11.5	26.8	5.8	-9.4	-10.7	-11.1	-11.6	-15.6	-4.9
Iron Ore (US \$/tonne)	58.4	71.8	69.8	71.9	83.6	100.9	100.2	108.9	120.2
Year-over-year % change	4.6	22.8	-2.8	8.9	11.9	53.8	51.5	67.5	86.2
Lead (US \$/lb)	0.85	1.05	1.02	0.89	0.92	0.86	0.82	0.86	0.90
Year-over-year % change	4.7	23.9	-3.2	-21.2	-19.3	-21.0	-23.1	-22.5	-10.8
Nickel (US \$/lb)	4.36	4.72	5.95	5.22	5.61	5.56	5.44	5.43	6.10
Year-over-year % change	-18.6	8.4	26.0	-0.6	-6.8	-15.3	-16.4	-20.8	-2.2
Zinc (US \$/lb)	0.95	1.31	1.33	1.19	1.23	1.25	1.25	1.18	1.11
Year-over-year % change	8.6	38.3	0.9	-18.7	-21.0	-11.2	-10.2	-15.8	-8.2
Potash (US \$/tonne)	260.3	218.2	215.5	215.5	225.5	267.7	265.5	272.0	272.0
Year-over-year % change	-12.1	-16.2	-1.3	0.0	4.6	24.2	23.2	26.2	26.2
Uranium (US \$/lb)	26.5	22.1	24.5	28.4	28.2	25.0	24.7	24.5	25.2
Year-over-year % change	-28.1	-16.6	11.1	26.7	26.5	13.6	12.3	6.1	7.7

Precious metals

Gold (US \$/ounce)	1250.1	1257.8	1268.6	1227.7	1303.7	1308.4	1283.7	1359.0	1412.9
Year-over-year % change	7.9	0.6	0.9	-3.7	-1.9	0.1	-1.5	6.0	14.2
Silver (US \$/ounce)	17.2	17.1	15.7	14.6	15.6	14.9	14.7	15.0	15.8
Year-over-year % change	9.4	-0.7	-7.9	-12.8	-6.9	-9.9	-11.1	-9.1	0.4

Source: Haver Analytics, Bloomberg, RBC Economics Research

1. Financial Post, *Corn and soybeans fall on U.S. crop view, wheat down*, August 27, 2019.
2. RBC Capital Markets, *Bulking Up*, August 28, 2019.
3. RBC Capital Markets, *Gold Strategy: Have Some Fear*, August 12, 2019.
4. Bloomberg, *Alberta Oil-Output Cuts Extended as Glut Persists*, August 20, 2019.
5. Financial Post, *'Morale booster': Canadian oil and gas relishes rare Keystone XL victory and Nova pipeline changes*, August 23, 2019.
6. RBC Capital Markets, *Global Paper, Packaging & Forest Products*, August 19, 2019.

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