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Commodity prices could recover by mid-2016 says Van Eck Global

Sydney, 15 December, 2015 – Markets and investors are worried about the growth outlook for emerging markets, particularly China. According to Roland Morris, Van Eck Global's Commodity Strategist, "the emerging market discussion that we see reflected in the financial markets however remains heavily focussed on weak demand for commodities. It does not, in our view, adequately deal with the meaningful supply side response that we have seen since 2011 from energy and mining companies."

"Oil production in the US peaked in 2011 at 9.6 million barrels. Production today is down to almost 9 million barrels and Van Eck believes that it will fall below 9 million barrels early in 2016. Not only has production on existing rigs been scaled back, but new deep water and oil sands projects that could have delivered between six and seven million barrels have been cancelled or pushed out beyond 2020. Meanwhile, demand for oil has actually been strong in 2015, up 1.7 millions barrels from 2014. Relatively strong demand combined with meaningful cuts in supply will balance the market towards the middle of 2016, resulting in a higher oil price."

"The scenario is the same for industrial commodities. Since the peaks of supply in 2011, industrial miners have significantly cut back their capital expenditure. Investment into coal is down by 60%, iron ore by 50%, gold by 27% and copper by over 33%. These are meaningful reductions in investment that will result in significant reductions in future supply," said Mr Morris.

At Van Eck Global we believe that given the supply side response from industry, and assuming stable global growth, we will see a much tighter commodities market and even shortages in some materials next year, leading to an upward correction in many commodity prices.

Copper could be the inflection point in 2016, when we believe there will be a supply deficit and a sharp correction in the copper price. This is likely to alert the market to similar supply side disappointments from industrial miners and more help to correct commodity prices.

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Market Vectors exchange traded products have been offered since 2006 and span many asset classes, including equities, fixed income (municipal and international bonds) and currency markets. As of 30 September 2015 the Market Vectors family totalled US$18.9 billion in assets under management, making it one of the largest ETF families in the US and worldwide. Market Vectors Australia is a wholly owned subsidiary of Van Eck Global.

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