

Commodity Price Determinants Beyond Supply Demand Equation

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Commodity Price Determinants Beyond Supply Demand

- Pandemics
- Weather
- Monetary Policy Cycles

The amplitude of impact of these has progressively intensified in past two decades

Now

- Pandemic like Never Before
- Weather Morphed into Climate Change
- Geopolitical Conflict

Covid-19 Pandemic

Daily new confirmed COVID-19 cases and deaths, World

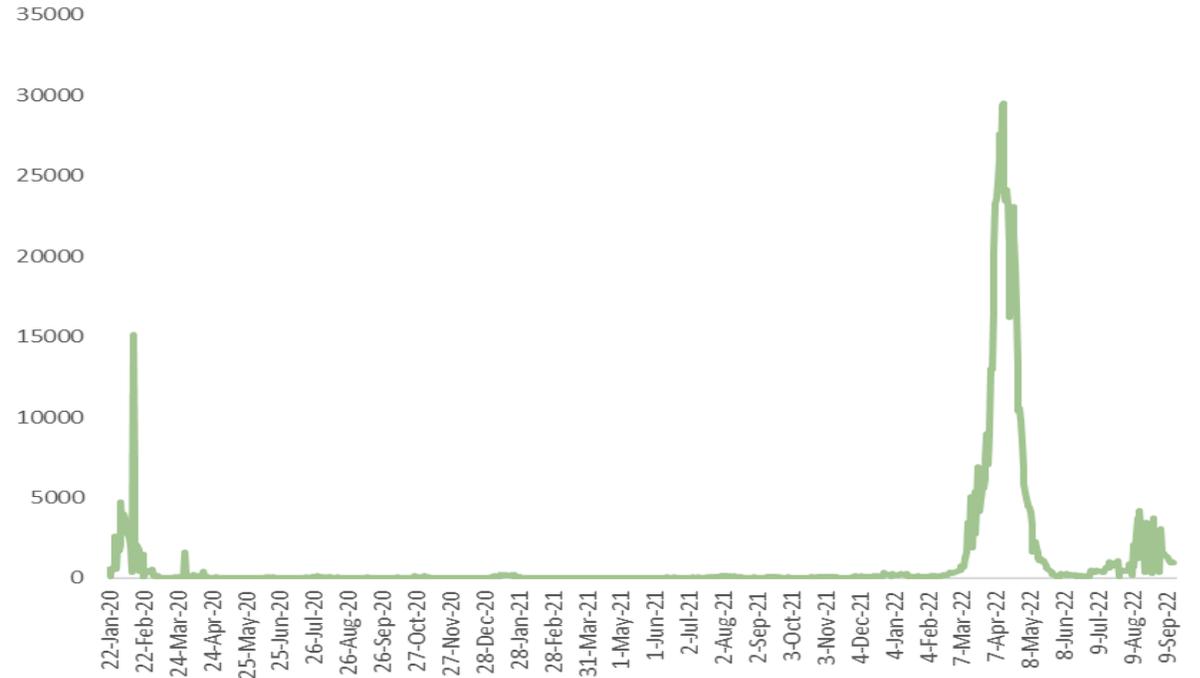
7-day rolling average. Limited testing and challenges in the attribution of cause of death mean the cases and deaths counts may not be accurate.



Source: Johns Hopkins University CSSE COVID-19 Data

OurWorldInData.org/coronavirus • CC BY

China Covid Cases



Major Global Stock Indices



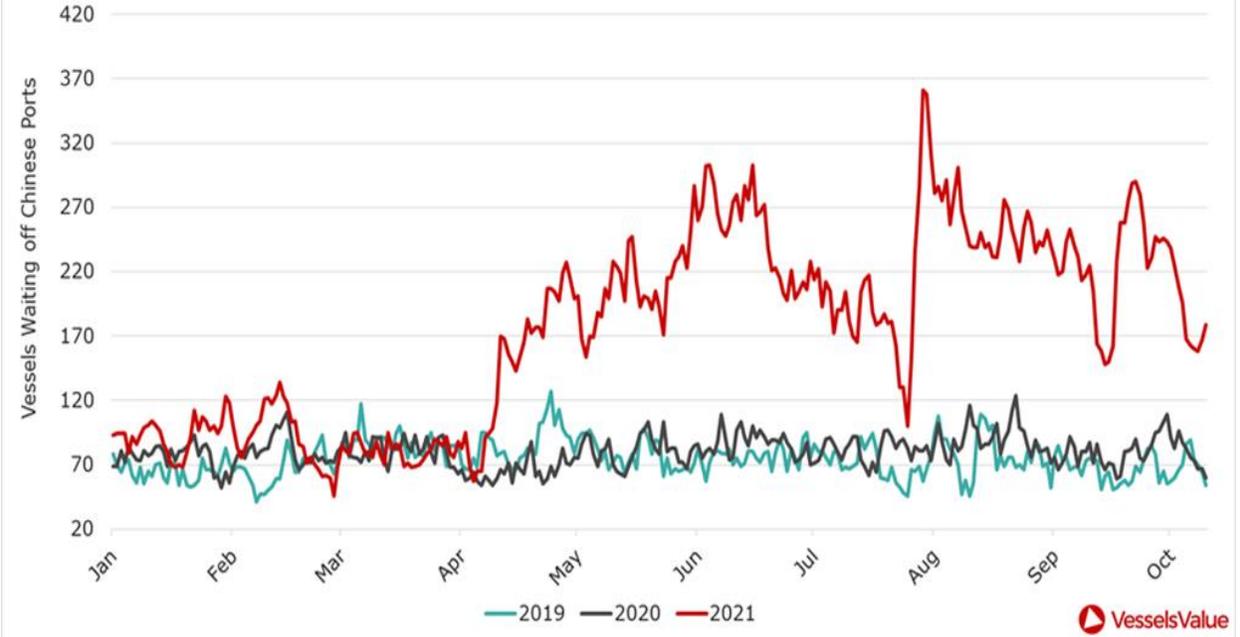
Global port congestion

Bulker and Container vessels waiting

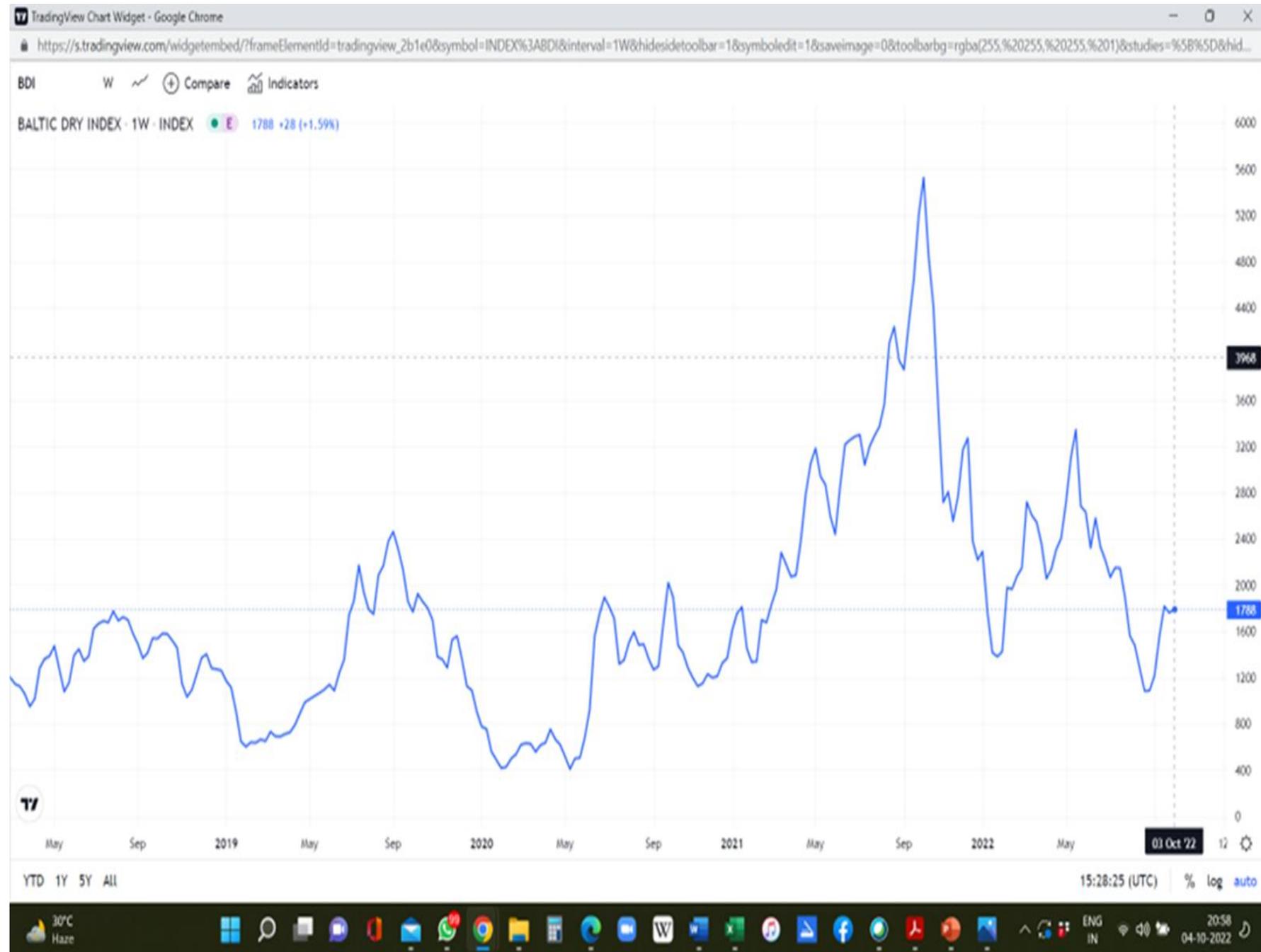
25th October 2021



Container Vessels Waiting - China

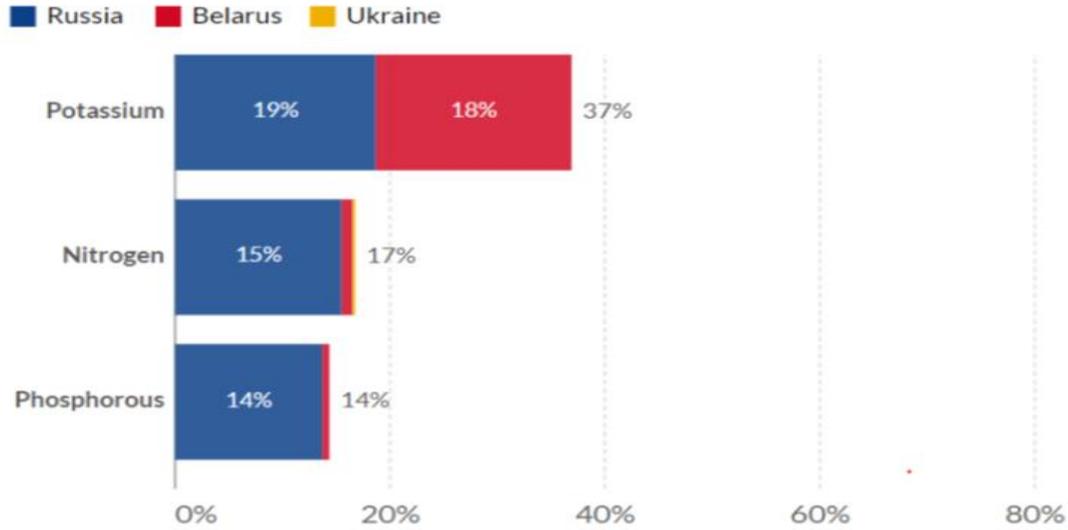


Freight Rates go Through the Roof, peaked in October 2021



Geopolitical Conflicts

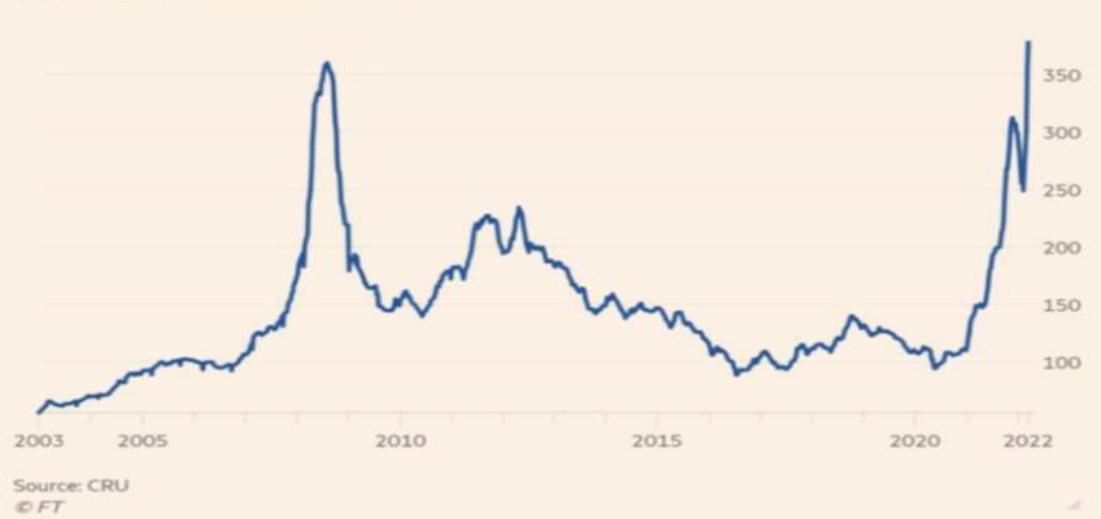
Global fertilizer exports: how much comes from Russia, Belarus & Ukraine?, 2019



Source: Calculated by Our World in Data based on Food and Agriculture Organization of the United Nations OurWorldInData.org/fertilizers • CC BY

Fertiliser prices hit new highs

CRU Fertiliser price index (Jan 2006=100)



■ Russian military control ■ Held or regained by Ukraine
■ Russian advances □ Russia annexed Crimea in 2014

Source: Institute for the Study of War (21:00 GMT, 29 September)

BBC

Annual Exports by Ukraine & Russia

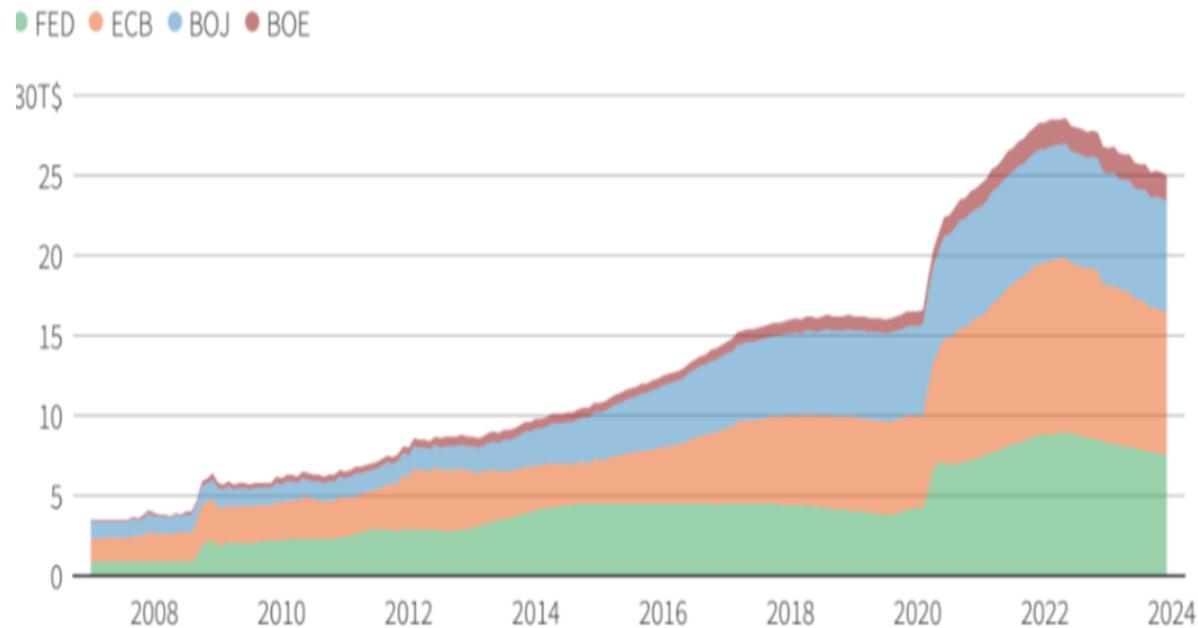
mn metric tonnes

	Ukraine		Russia	
	Quantity	% global Exports	Quantity	% global Exports
Wheat	18	9	33	18
Corn	30	17	4	2
Barley	5	25	5	14
Sunil	4	47		

Consequent to Monetary Stimulus, Supply Chain Disruptions and Russian Ukraine Invasion.....

Monetary Stimulus: Cash Chased Assets

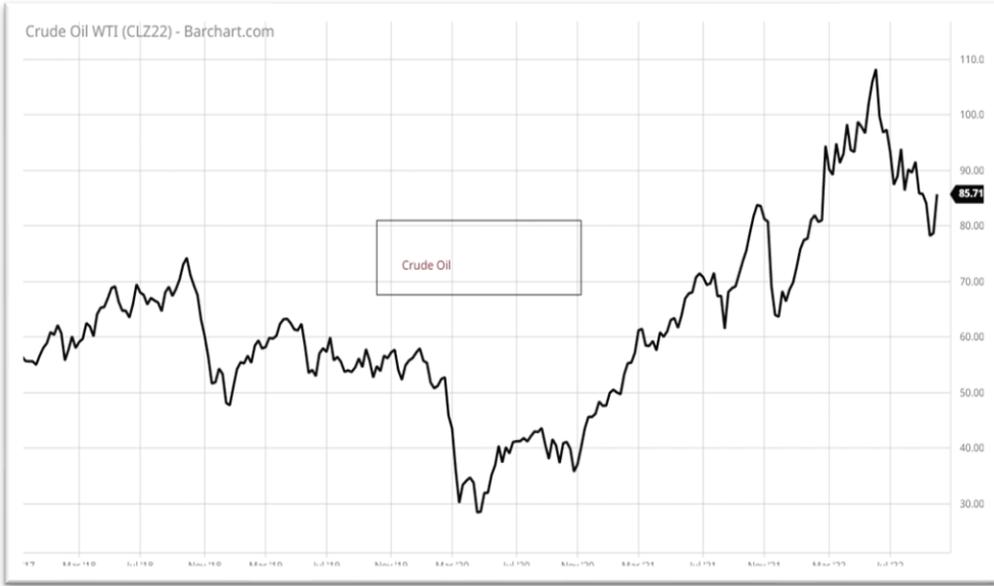
Central banks flooded the financial system with cash during the pandemic. They are about to take it back.



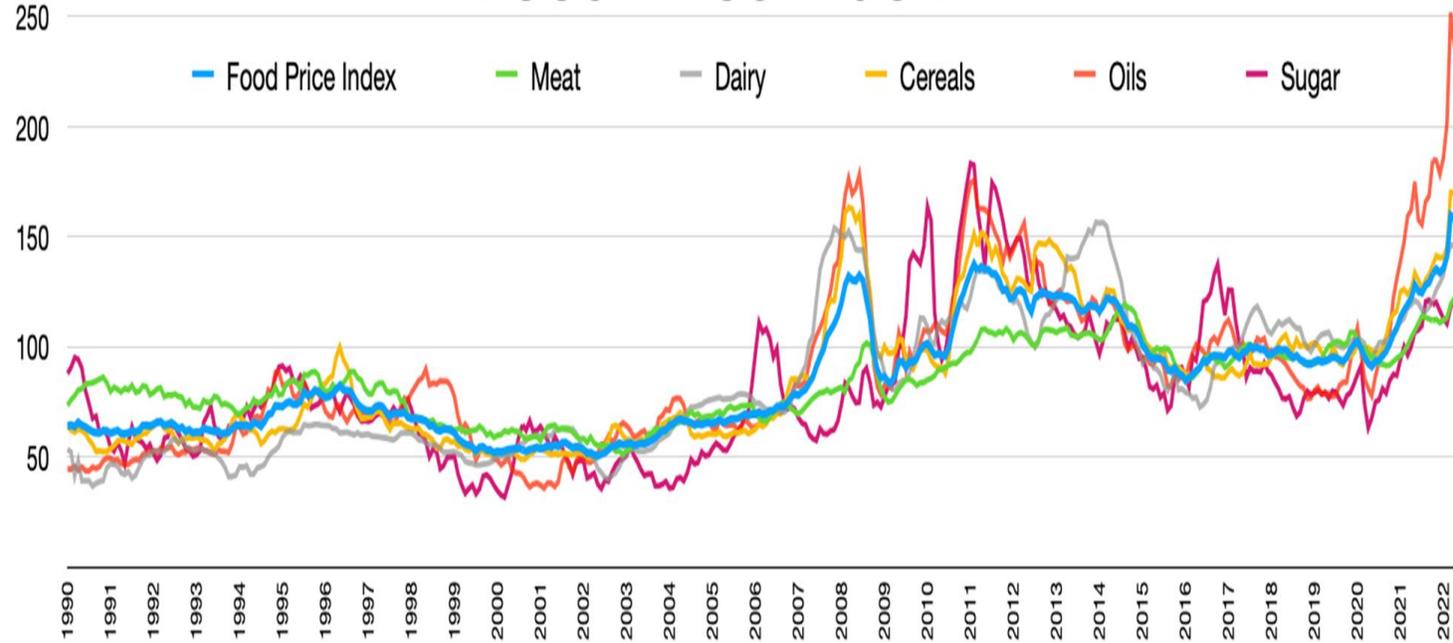
Commodity Spec AUM (Ags, Softs, Energy, Metals, Precious)



Crude Oil Prices

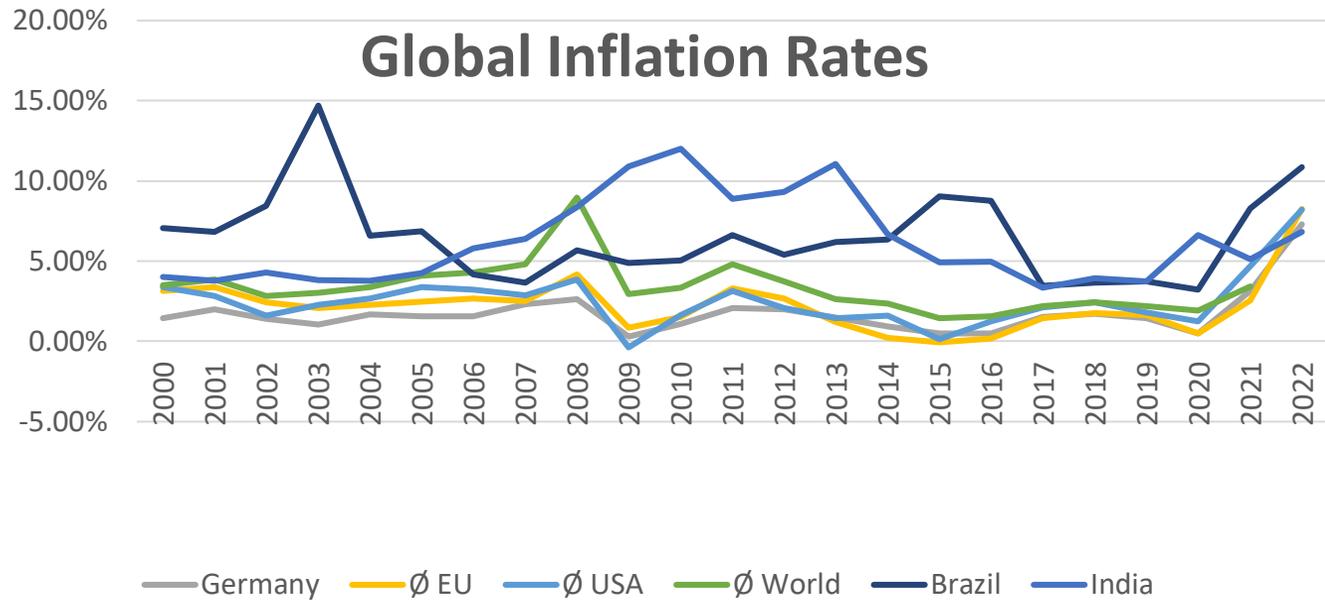


Food Price Index



High Inflation was Inevitable

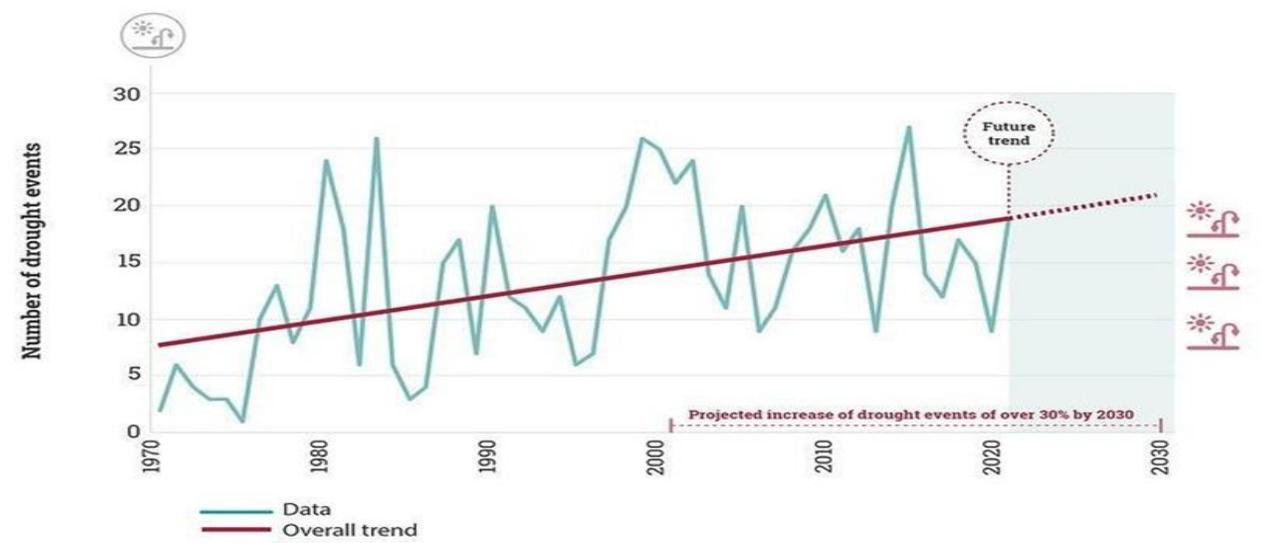
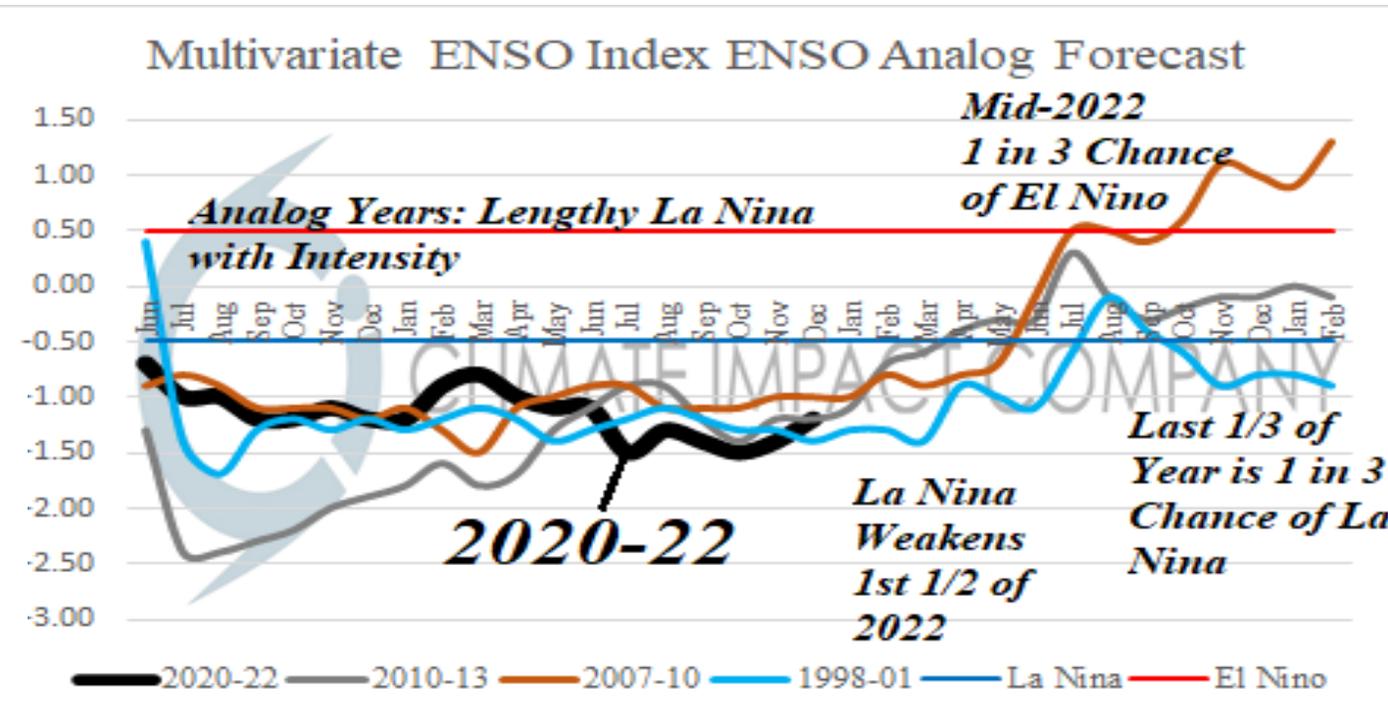
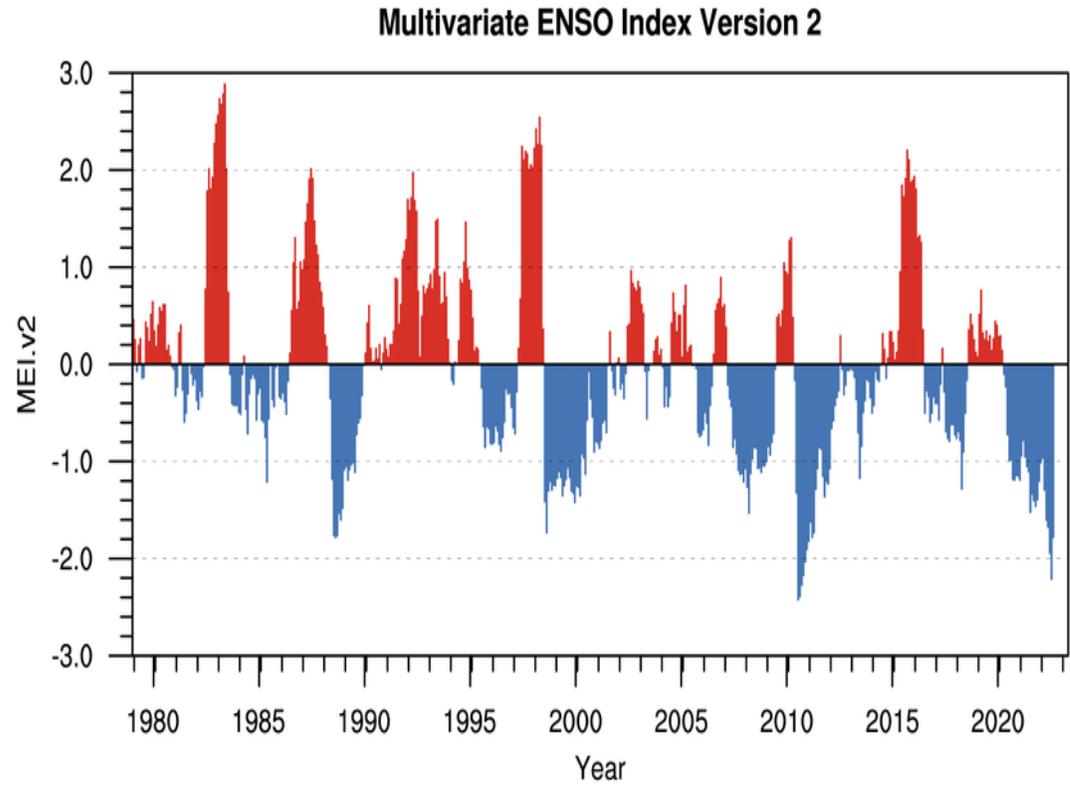
Global Inflation Rates



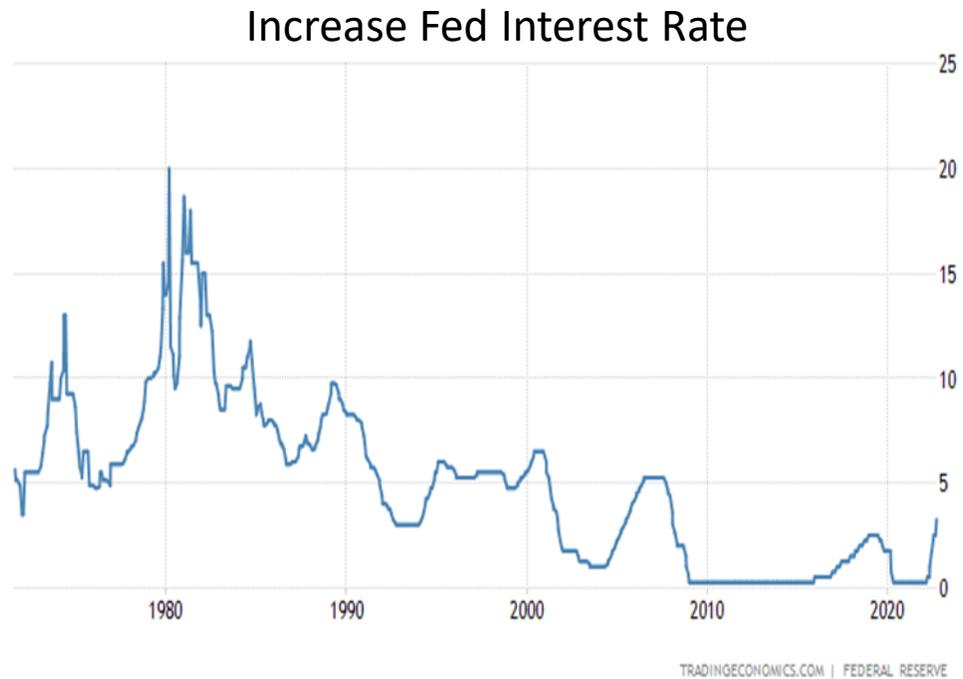
**Frequent Long Duration
La Nina events and
Unusual Weather Had
Their Toll on Food
Production**

Long Duration La Nina Episodes More Frequent

Probability of Draughts increasing

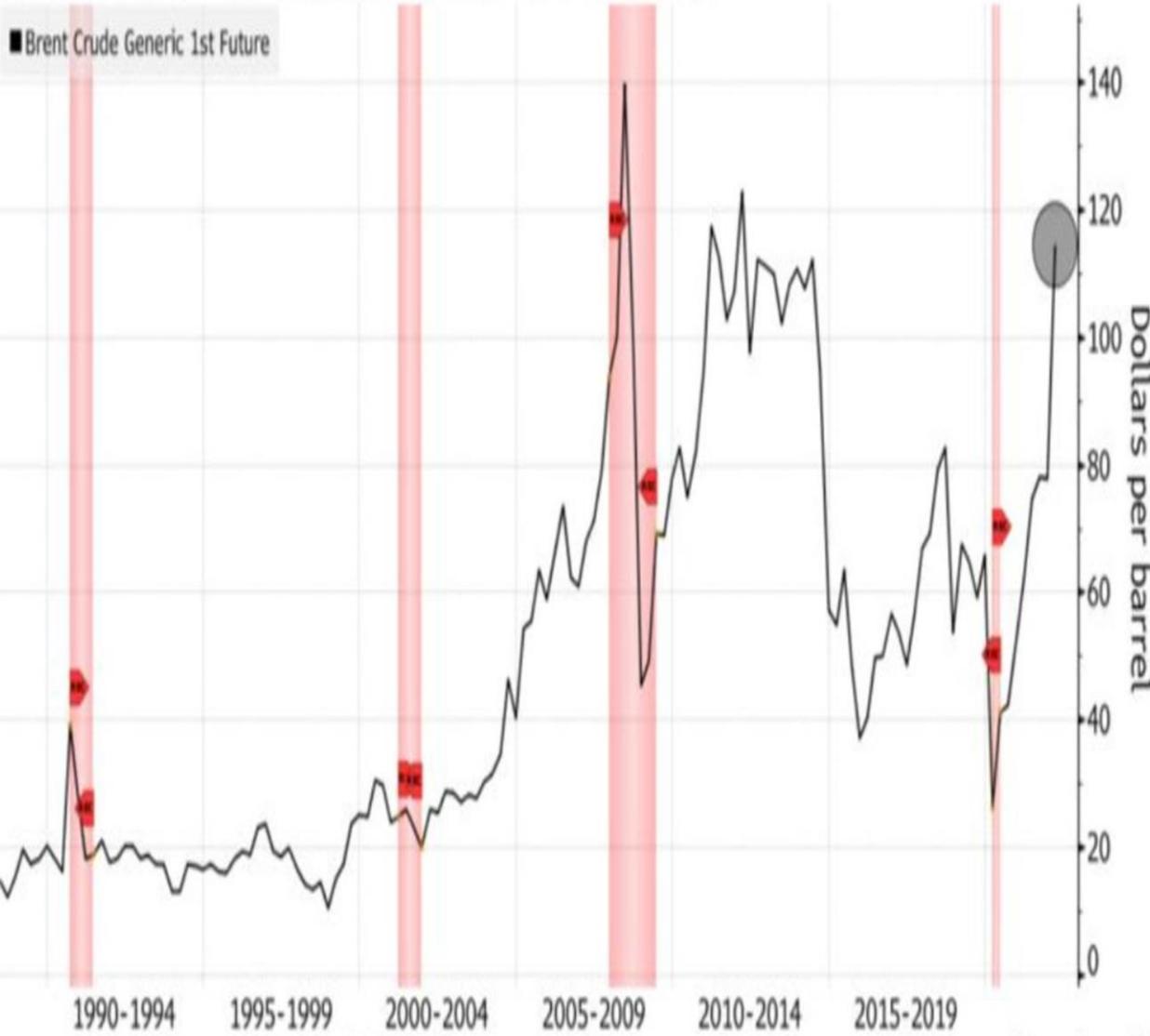


Pull Back, What Else What Next?



Recession Alarm?

Oil-price spikes associated with some past downturns

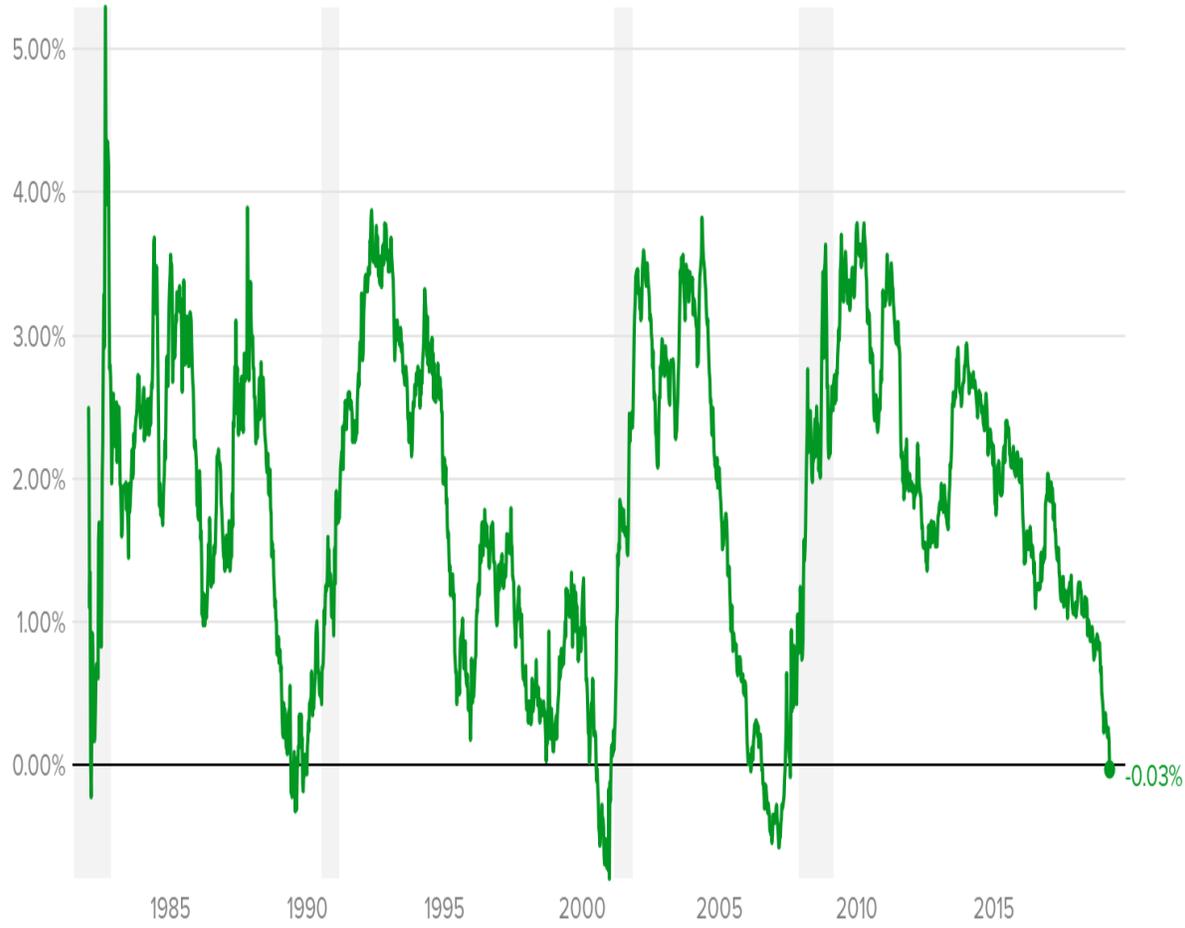


Source: ICE Futures Europe Commodities

Bloomberg

A classic recession signal

When the spread between the 10-year Treasury yield and the 3-month yield dropped below zero, a recession (shaded area) has usually followed.



Source: U.S. Treasury; Federal Reserve Bank of St. Louis

GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



Source: IMF, *World Economic Outlook*, April 2022.

Note: Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

**Early Signs of Tight money Policy Working- A
Glimmer of Hope.**

But it Could Be a Red Herring



50km
50 miles

■ Russian military control ■ Held or regained by Ukraine
▨ Russian advances □ Russia annexed Crimea in 2014

Source: Institute for the Study of War (21:00 GMT, 29 September) BBC

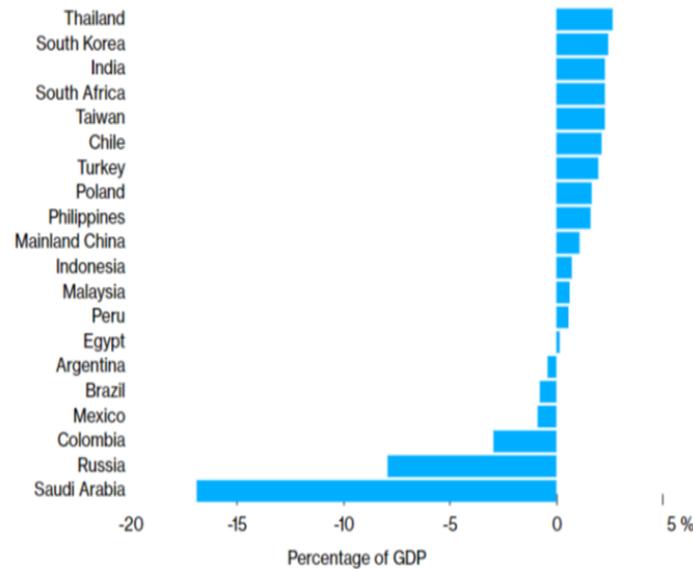


Russian Invasion Failing? But he Holds Too Much of Ukrainian Territory.

Uncertainty Prevails as Putin Could Deploy Nuclear Arsenal or be Deposed pushing Russia Farther to the Right.

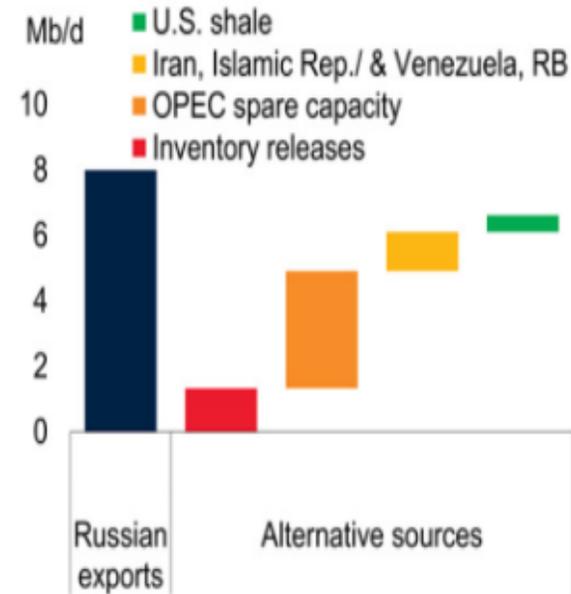
Expectation of Cheap Oil Could be Misplaced

Net Oil Imports as a Percentage of GDP for Emerging Economies



Source: BP Statistical Review of World Energy 2021, IMF, Bloomberg Economics

D. Alternative sources of oil



- ✓ Following COP 26 pledges, Oil Companies had slowed down investments (upstream and downstream)
- ✓ Draughts in China and Europe led to a return to coal.
- ✓ No spare capacity to meet the surge in demand post-recession.
- ✓ OPEC+ Cartel

Thank You