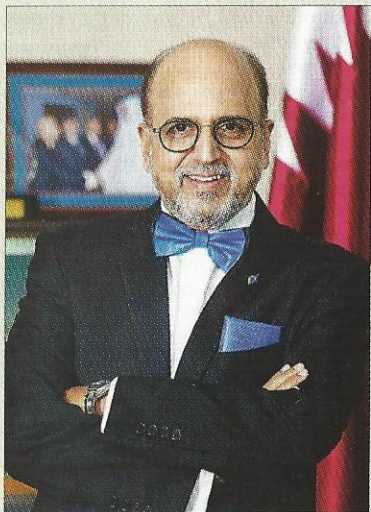


BANKING ON KNOWLEDGE

Can this commodities rally be sustained?



By Dr R Seetharaman

Brent crude prices have steadied above \$55 a barrel after a recent report by the International Energy Agency (IEA) that predicted stronger demand for oil. Brent closed at \$55.62/barrel and WTI closed at \$49.89/barrel by end of last week and have dropped by more than 2% and 7% YTD respectively. The Paris-based IEA last week lifted its global oil demand growth estimate to 1.6m barrels per day (bpd) from a previous estimate of 1.5mn bpd and said global oil inventories were tightening. Natural gas price was at 3.024/mmbtu by end of last week and has fallen by more than 15% YTD. Last week natural gas climbed as data from the US Energy Information

Administration on Thursday showed that domestic supplies of natural gas rose by 91bn cubic feet for the week ended September 8, which was above the forecast.

Gold prices fell last Friday to their lowest finish so far this month, as record highs for the key US stock market indexes lured investors away from the precious metal, ahead of US Federal Reserve monetary policy meeting next week. Gold closed at \$1,320.18/ounce by end of last week and has surged by more than 15% YTD.

Silver was at 17.5885/ounce by end of last week and has surged by more than 10% this year.

The dollar index was at 91.872 by end of last week and has fallen by more than 10% this year on account

of uncertainty in US policies. Copper price was at \$6,461/tonne by end of last week and has surged by close to 17% this year. Copper price, which had witnessed significant rally this year, fell last week after the release of Chinese data, which undershot consensus expectations about industrial production and urban development.

Nickel price was at \$11,009.5/tonne by end of last week and has surged by more than 10% this year. Nickel and copper extended gains as bets on tighter markets, especially in top user China, buoyed the metals. Aluminium price was at \$2,056.75/tonne by end of last week and has surged by more than 20% YTD this year, over concerns of potential supply curbs by top producer China.

Corn price was at \$3.54/bushel by end of last week and has fallen by close to 7% YTD.

Wheat price was at \$4.49/bushel by end of last week and has fallen by more than 3% YTD.

Soya bean was at \$9.68/bushel by end of last week and has dropped by close to 3%.

The agriculture markets are turning bearish as the prospect of another season of ample supply has sent prices plunging.

Cocoa was at \$2,009/tonne by end of last week and is down by more than 7% YTD.

Coffee was at \$141.40/pound by end of last week and has fallen by close to 4% YTD.

Sugar was at \$15.17/pound and has fallen by more than 18% YTD. Hopes

about big harvests of sugar and cocoa due to favourable weather conditions have helped drag down the prices. The precious metals rallied mainly due to geopolitical tensions and the oil prices rally on account of favourable forecasts in recent times.

The dollar index has fallen significantly this year after strengthening since the US election results and Fed rate hikes on account of uncertainty in policy decisions from the US.

The industrial metals have rallied on account of developments from China. Agriculture commodities have fallen due to ample supplies. We need to wait and see whether this commodity rally can be sustained.

■ Dr R Seetharaman is Group CEO of Doha Bank.