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## **BUSINESS**

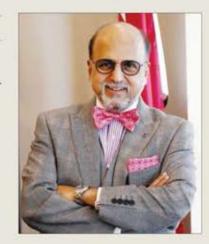
#### BANKING ON KNOWLEDGE

# Commodities rally curtailed on second wave of Covid-19, dollar revival

#### By Dr R Seetharaman

The WTI is at 35.79/barrel and Brent is at 37.94/barrel and is down by more than 40% YTD. Oil tumbled last week as escalating coronavirus fears and surging US stockpiles drove new uncertainty about the commodity market's recovery. Resurgences in Covid-19 cases have intensified concerns about oil demand. France and Germany are reportedly set to impose new lockdown measures to curb the virus spread. US crude inventories climbed by 4.3mn barrels last week, the Energy Information Administration said last week. The uptick is the biggest since late July and suggests demand in the US is moderating. The natural gas price is at 3.354\$/MMBTU and is above 28% YTD. Natural gas prices moved higher last Friday rising 1.45%. There are cold temperatures in the US and Europe, but also have a lot of hurricane noise and fears in the Gulf of Mexico this year which could disrupt supply.

Gold price is at \$1878.81/ounce and



silver is above \$23.65/ounce. Gold has surged by more than 23% YTD while silver has surged by more than 31% YTD. Gold market is holding its breath before the most eventful week of the year. The first week of November will not only see the most anticipated event of the year – the

US election and also the Federal Reserve interest rate decision. Earlier gold fell from \$1900 levels and silver from \$24.5 levels last week on account of higher dollar.

Copper was at \$6,707.5/tonne, aluminium was above \$1.847/tonne and nickel was at \$15,123/tonne. Copper had surged by more than 9% YTD. The move higher was being powered by a handful of reasons, including targeted Chinese stimulus. unprecedented US stimulus, increased demand from the renewable sector and issues on the supply side. Aluminium had surged by close to 4% YTD. Aluminium prices are hovering highs as investors bet strong Chinese buying and improving industrial demand will see the metal catch up with its base-metal peers. Nickel was above 8% YTD. Nickel is up on account of electric vehicle demand.

Corn price was at \$3.98/bushel, wheat price was at \$5.98/bushel and soybean was at \$10.56/bushel. Corn price is flat this year. Wheat was up by close to 4% YTD. The soybean was up by 12% YTD. However in recent times Covid-19 economic impact



concerns continued to weigh on grain. Improved global crop weather also pressured soybeans and wheat.

Cocoa was at 2305/tonne and is down by more than 5% YTD. Coffee was at 104.40/pound and has fallen by more than 24% YTD. Sugar was at \$14.36/tonne and is flat YTD. The agricultural commodities have recovered from their yearly lows in March 20, which had happened due to the outbreak of Covid-19.

The dollar index is at 94.038 has surged by more than 1% YTD. The current recovery in the dollar comes in response to the impact of the Covid-19 pandemic on the global growth prospects as well as dying chances of a deal between Democrats and Republicans over a new stimulus bill. However, the stance on the dollar is predicted to deteriorate in case loe Biden wins the

November elections, while the "lower for longer" stance from the Federal Reserve also caps occasional bullish attempts.

The euro was at \$1.1647 and strengthened by close to 4% YTD. Risk sentiment shifted as Europe announced fresh lockdown restrictions throughout the eurozone, increasing demand for the USD and other safe-haven currencies. With the economy already on a downward trajectory, hopes of a swift economic recovery have diminished as the number of Covid-19 cases continue to increase at an alarming rate, reiterating the fact that the pandemic is far from over.

The pound sterling is at \$1.2947. Pound had weakened by more than 2% YTD. The British pound advanced against on news of progress in post-Brexit trade negotiations, however renewed financial market

turbulence following the announcement of new major lockdowns in Europe has pushed the dollar higher across the board.

The yen was at 104.66 against the US dollar. Yen weakened by more than 3% YTD. In last week the US dollar was choppy against the yen. The Swiss franc was at 0.9170 against the US dollar. Swiss franc strengthened by more than 5% this year. The Australian dollar is at \$0.7028 and is flat this year.

Most of the emerging economy currencies have weakened this year on account of Covid-19. The Indian rupee is near 74.11 levels against the US dollar. The South African rand is above 16 levels against the US dollar. The Russian rouble was above 79 levels against the US dollar. The Chinese yuan was below 7 against the US dollar and the Brazilian real was above 5 against the US dollar. On the whole, the commodity prices rally curtailed due to second wave of Covid-19 and dollar revival.

■ Dr R Seetharaman is Group CEO of Doha Bank.