

## BANKING ON KNOWLEDGE

## Industrial metals witness significant rally

By Dr R Seetharaman

The dollar index was at 91.28 by end of last week and had surged by close to 1.5% YTD. The US dollar closed higher last week with all of its gains coming on Friday. The rally was fuelled by month-end profit-taking, but Treasury yields edged higher for the week.

Government bond yields climbed world-wide after signs of accelerating US economic growth prompted worries that inflation will rise more rapidly than expected.

The yield on the benchmark 10-year US Treasury note, which rises as bond prices fall, touched 1.688% last week, its highest intraday level in more than two weeks, before settling at 1.6259% by end of last week. Economic activity surged to start 2021. The US Commerce Department said first-quarter gross domestic product rose 6.4%. The Labor Department, reported that initial jobless claims last week totalled 553,000.



Last week, the Federal Reserve left interest rates near zero and the pace of asset purchases unchanged, but acknowledged an uptick in economic activity as the US recovers from Covid-19. The euro was at 1.202\$ by end of last

week and euro weakened by more than 1.5 % YTD. The Fed policy marks a big shift in sentiment for the euro, as the continent struggled with vaccine shortages and stubbornly high Covid infections.

The pound was at 1.3822\$ by end of last week and surged by more than 1% YTD. The British pound has rallied a bit during the course of the last week but gave back a lot of the gains. The yen was at 109.31 against the US dollar by end of last week and has weakened by close to 6 % YTD. The Swiss franc was at 0.9131 against the US dollar by end of last week. It had weakened by more than 3% YTD.

On emerging economy currencies, the Indian rupee was at 74.08 against the dollar by end of last week and has weakened by more than 1% YTD. The South African rand was at 14.49 against the dollar by end of last week and has strengthened by more than 1% YTD. The Brazil real was at 5.43 against the dollar by end of last week and has weakened

by 4.5% YTD against the dollar. The Russian rouble was at 75.20 against the dollar by end of last week and had weakened by more than 1% YTD. Gold is at \$1769.13/ounce by end of last week and had weakened by more than 6% YTD. The global vaccine rollouts have increased consumer confidence and led to stronger-than-expected economic recovery which has capped upside in gold price cornering inflation concerns.

Silver is at \$25.91/ounce and had weakened by close to 2% YTD. WTI was at \$63.58/barrel and Brent at \$66.76/barrel by end of last week. WTI surged by more than 30% YTD and Brent by more than 29% YTD. Oil prices rose last week on the news coming out of Vienna that shows Opec+ believes the market will be able to accommodate the higher oil supply as of May 1, despite the worsening of the Covid situation in the world's third-largest oil importer India. Natural gas was at 2.931/ MMBTU and had surged



by more than 12% YTD. Natural gas were higher early last Friday despite a larger than expected rise in US inventories as export demand remains strong. Copper was at \$9825/tonne by end of last week. It had surged by more than 26% YTD. Copper topped \$10,000 a metric ton last week for the first time in a decade and has been among the best performers in a scorching surge in metals prices.

The rally is being fuelled by stimulus measures, near-zero interest rates and the global economic recovery from Covid-19. Aluminium was at \$2397/ tonne by end of last week. It had surged by more than 21% YTD. The demand from consumer industries and concerns from Chinese supply have given rise to aluminium prices. Nickel was at \$17,674 / Tonne and had surged by more than 6% YTD. Nickel surged mainly on account of demand from alloy makers.

Corn is at \$6.73/bushel and is up by more than 40% YTD. Wheat is at \$7.34/Bushel and has surged by more than 16% YTD. Soyabean is at \$15.34/bushel and surged by more than 18% YTD. Surge in Chinese imports demand from the US is the main driver for increase in corn, bushel and Soyabean prices. Cocoa was at 2382/tonne and is down by more than 5% YTD. Cocoa prices have fallen recently on account of surge in US inventories. Coffee was at 141.45/ Pound and has surge by more than 7% YTD. The bullish bets on coffee have surged recently. Sugar was at \$16.98/ Tonne and surged by 19 % YTD. It had surged recently following worsening outlooks for production in Brazil's key Center-South region because of dry weather.

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