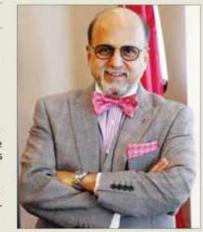
BANKING ON KNOWLEDGE

Metals decline, currencies volatile on coronavirus fears

By Dr R Seetharaman

Gold was at \$1578/ounce and silver was close to \$18/ounce. Gold and silver which had surged on account of safe haven demand fell a bit as investors weighed the impact of deadly coronavirus on physical and investor demand and also taking into account the efforts of China to support markets and economy. Gold has surged by close to 4% YTD this year and silver is flat this year. China's central bank said it will inject \$173.81bn worth of liquidity into the markets after promising to provide monetary and credit support to companies struggling due to the coronavirus. WTI was at \$51,47/barrel and Brent was at 56.23/barrel and both have fallen by around 15% YTD respectively. The coronavirus outbreak in China is already impacting demand for fuel as airlines are cancelling thousands of flights to China, and Chinese authorities



are discouraging travel by air or road in and out of the most-affected regions and have imposed a lockdown on the 11mn-resident city where the virus was first detected. The Organization of the Petroleum Exporting Countries (Opec) and its allies could bring forward their March meeting to February to discuss the impact on oil demand of the coronavirus flare-up.

Opec's oil output plunged in January to the lowest since 2009 after several members led by Saudi Arabia overdelivered on a new agreement to cut production and as Libya's supply slumped.

Copper was at \$5571.25/tonne, aluminium was at \$1705.5/tonne and nickel was at \$12771.5/tonne. Copper had fallen by close to 10% YTD, aluminium had fallen by close to 4% YTD and nickel by close to 8% YTD as the coronavirus epidemic raised fears of a slowdown in demand from top metals consumer China.

Corn price was at \$3.79/bushel, wheat price was at \$5.47/bushel and soybean was at \$8.70/bushel. Corn price is down by more than 2% YTD as upside from trade peace agreement has been offset by coronavirus outbreak in China.



Wheat was down by 2% YTD because China was buying wheat from three or four countries. They're supposed to start making purchases in 30 days. and the worry is, can they do that when they're focused on the coronavirus. Sovabean was down by 8% YTD as a global oversupply of grain persists and is likely to grow in coming weeks with signs pointing to a good crop in Brazil. the major food producer in the Western Hemisphere and already a larger exporter of soybeans to China. Cocoa was at 2777/tonne and is up by more than close to 9% YTD. The reduced output from Ghana could lead to surge in prices of Cocoa. Coffee was at 102.65/pound and has fallen

by more than 20% YTD. Improvement in supplies let to fall in coffee prices. Sugar was at \$14.47/tonne and is up by close to 8% YTD. The tightening of supplies has led to surge in demand for sugar.

The dollar index is at 97.67 has surged by more than 1% YTD. The euro was at \$1.1062 on persistent dollar's weakness. Risk-off was the main theme, with Wall Street plummeting and soaring demand for safe-haven assets included treasury bonds. The pound sterling eyes Johnson Speech on trade negotiations and is at \$1.3104. Pound and euro had fallen by close to 1% YTD. The yen was at 108.5 against the US dollar. The Chinese stock market

had fallen by close to 7% on Monday and can give boost to Japanese ven. The Swiss franc was at 0.9642 against the US dollar. The Australian dollar continues to be the weakest dollar's rival, dragged lower by the market's dismal mood triggered by Chinese woes. It has weakened by close to 5% YTD and is at US\$0.6695. Most of the emerging economy currencies are under pressure on account of coronavirus. The Indian rupee is near 71.50 levels against the US dollar. The South African rand is near 15 levels against the US dollar. The Russian rouble was near 64 levels against the US dollar. The Chinese yuan was below 7 against the US dollar and the Brazilian real was at 4.28 against the US dollar. On the whole, the metals decline and currencies are volatile on account of fears from coronavirus.

■ The author is Group CEO of Doha Bank.