



Commodity Market Update: In the mix: war, sanctions, China, rate hikes & demand destruction

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Surging inflation calls for strong but very late central bank response

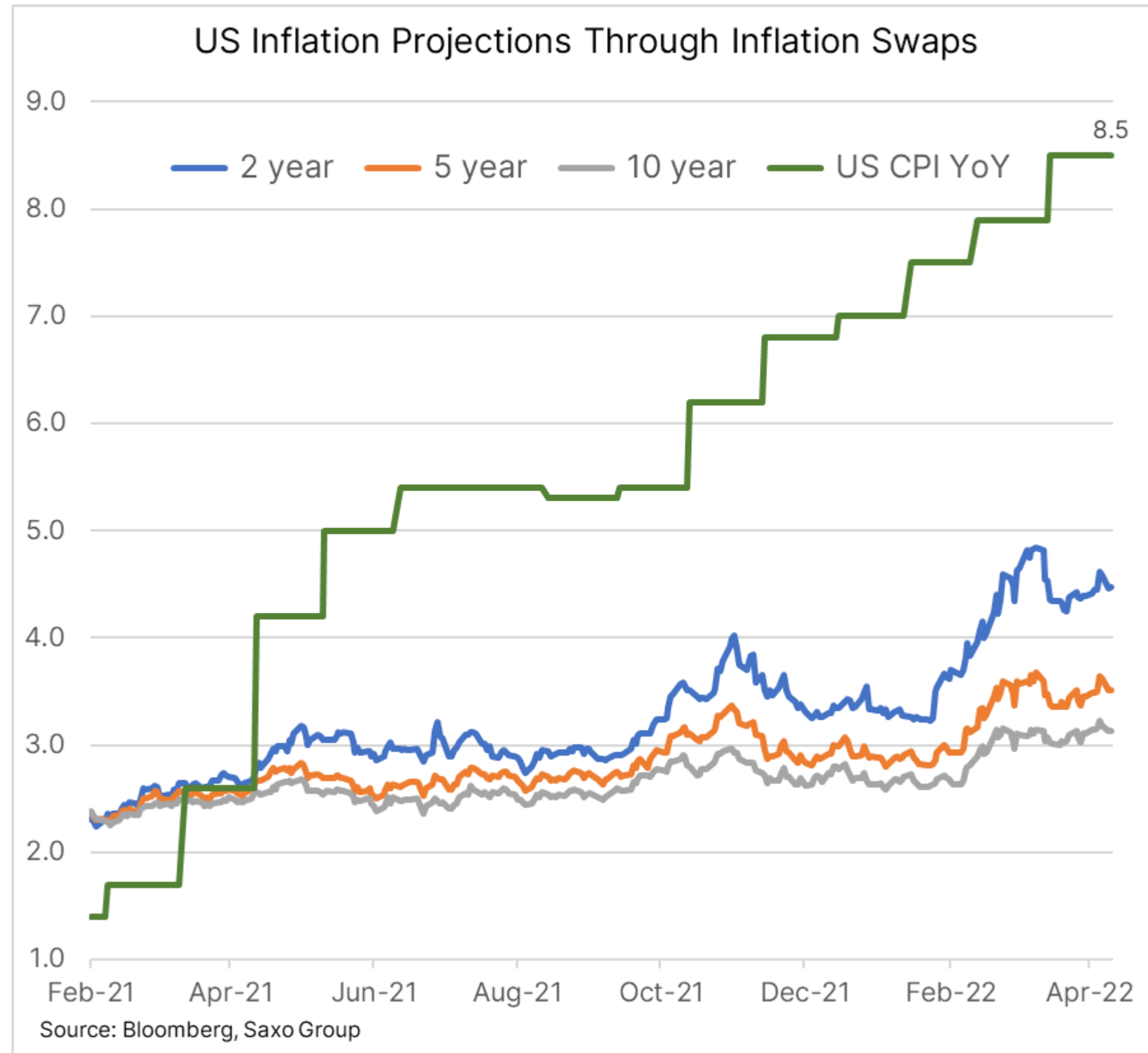
Consumer Price Index

Change year-on-year, percent

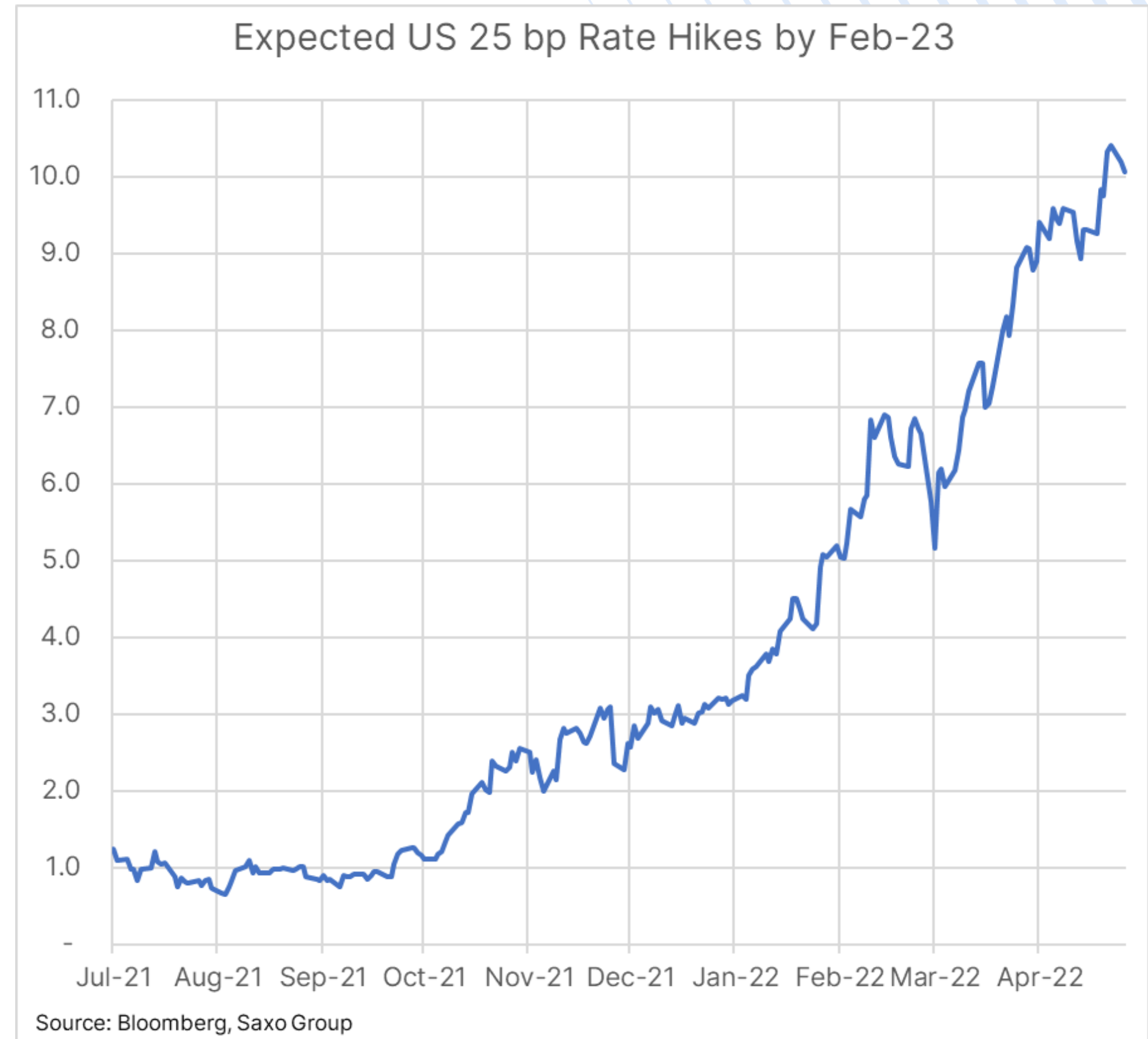
Country	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
United States	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.5	7.9	8.5
Canada	3.4	3.6	3.1	3.7	4.1	4.4	4.7	4.7	4.8	5.1	5.7	6.7
Mexico	6.1	5.9	5.9	5.8	5.6	6.0	6.2	7.4	7.4	7.1	7.3	7.5
Eurozone	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0	5.1	5.9	7.4
- Germany	2.0	2.5	2.3	3.8	3.9	4.1	4.5	5.2	5.3	4.9	5.1	7.3
- France	1.2	1.4	1.5	1.2	1.9	2.2	2.6	2.8	2.8	2.9	3.6	4.5
- Italy	1.0	1.2	1.3	1.0	2.5	2.9	3.2	3.9	4.2	5.1	6.2	6.8
- Spain	2.2	2.7	2.7	2.9	3.3	4.0	5.4	5.5	6.5	6.1	7.6	9.8
United Kingdom	1.5	2.1	2.5	2.0	3.2	3.1	4.2	5.1	5.4	5.5	6.2	7.0
Switzerland	0.3	0.6	0.6	0.7	0.9	0.9	1.2	1.5	1.5	1.6	2.2	2.4
Norway	3.0	2.7	2.9	3.0	3.4	4.1	3.5	5.1	5.3	3.2	3.7	4.5
Sweden	2.2	1.8	1.3	1.4	2.1	2.5	2.8	3.3	3.9	3.7	4.3	6.0
Poland	4.3	4.7	4.4	5.0	5.5	5.9	6.8	7.8	8.6	9.4	8.5	11.0
Hungary	5.1	5.1	5.3	4.6	4.9	5.5	6.5	7.4	7.4	7.9	8.3	8.5
Czech Republic	3.1	2.9	2.8	3.4	4.1	4.9	5.8	6.0	6.6	9.9	11.1	12.7
Brazil	6.8	8.1	8.4	9.0	9.7	10.3	10.7	10.7	10.1	10.4	10.5	11.3
Russia	5.5	6.0	6.5	6.5	6.7	7.4	8.1	8.4	8.4	8.7	9.2	16.7
China	0.9	1.3	1.1	1.0	0.8	0.7	1.5	2.3	1.5	0.9	0.9	1.5
South Africa	4.4	5.2	4.9	4.6	4.9	5.0	5.0	5.5	5.9	5.7	5.7	5.9
Japan	-1.1	-0.8	-0.5	-0.3	-0.4	0.2	0.1	0.6	0.8	0.5	0.9	1.2

Source: Bloomberg & Saxo Group

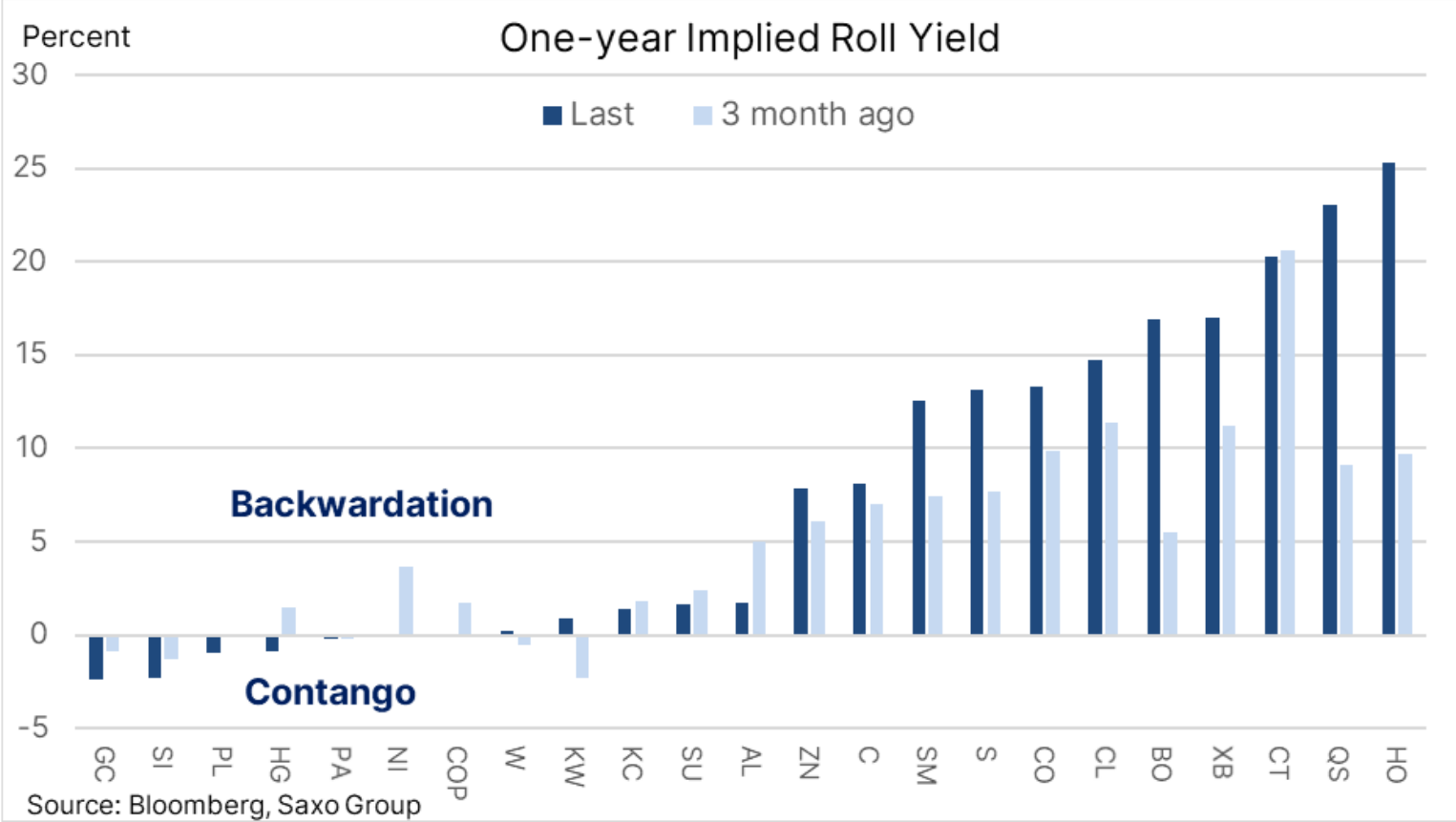
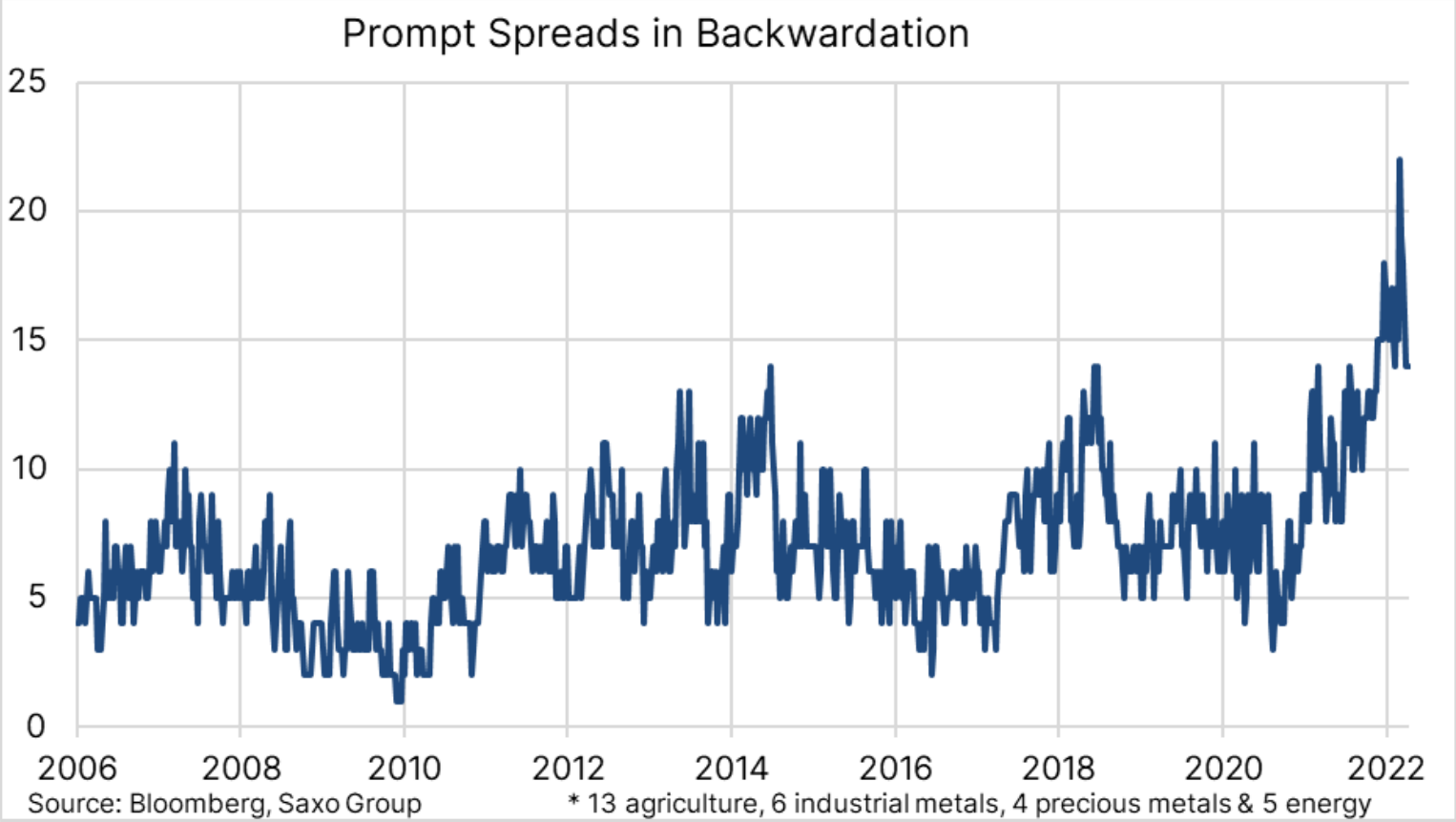
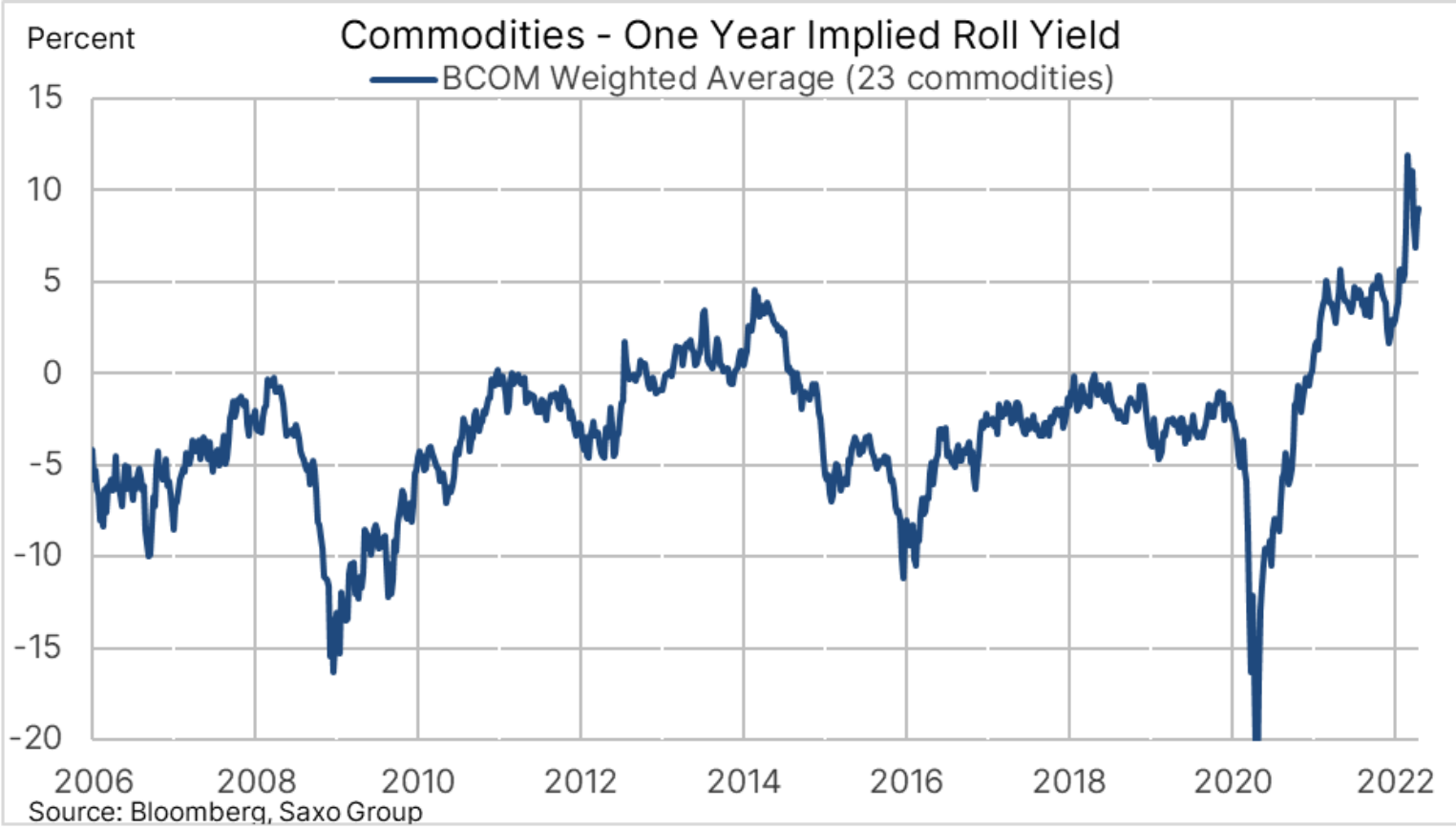
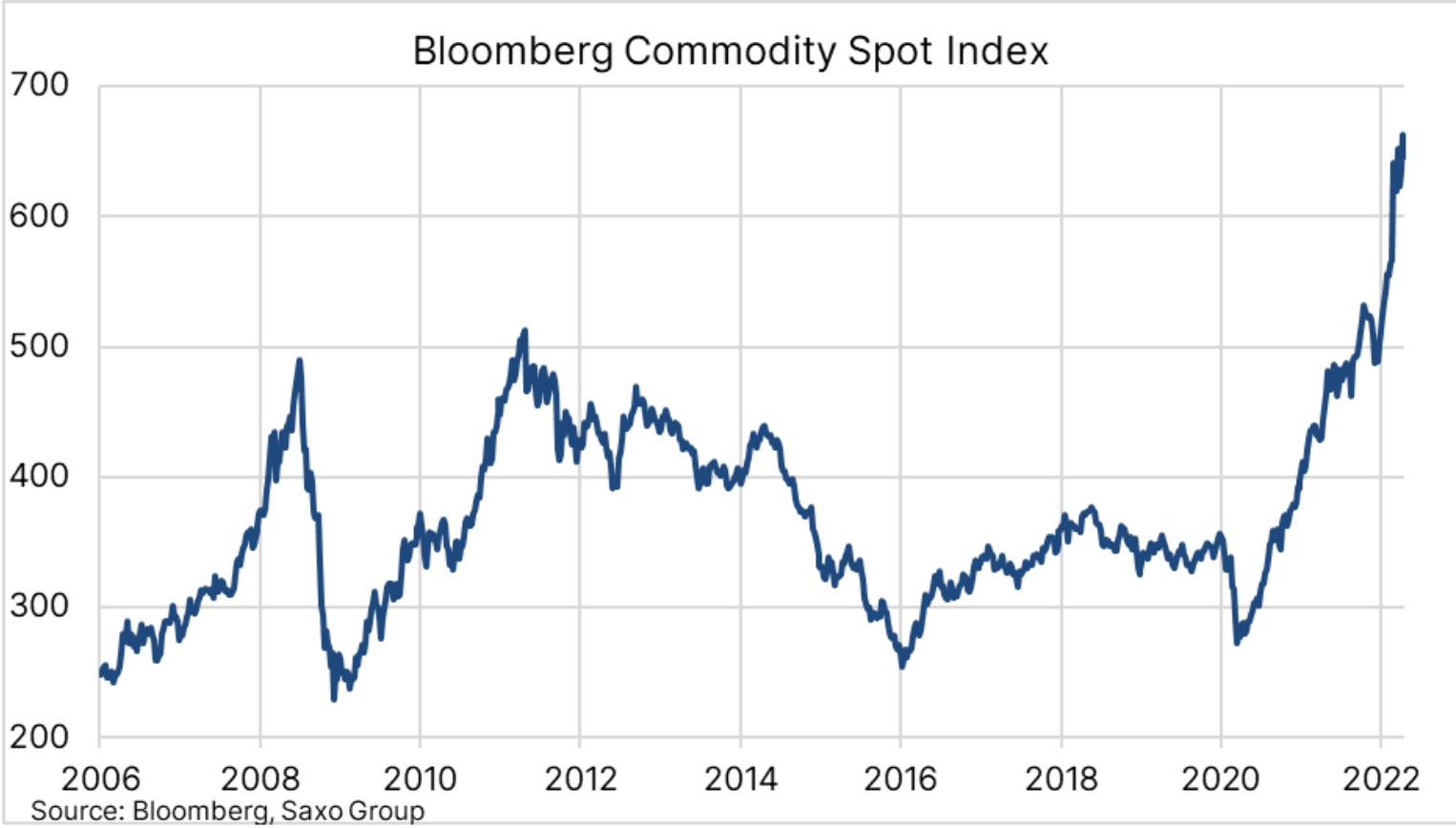
With no control over supply, demand needs to be killed through rate hikes



Source: Bloomberg

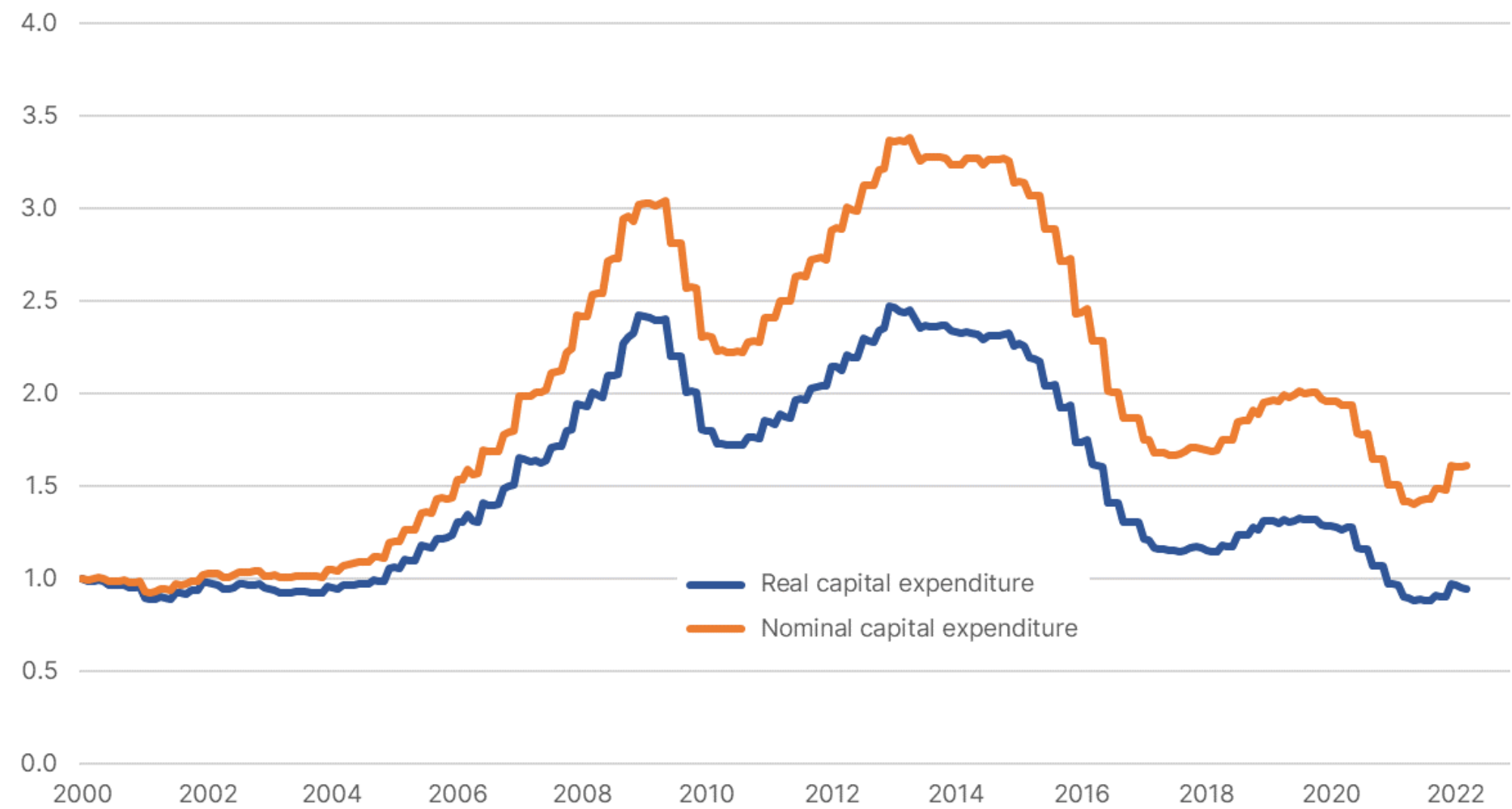


Record commodity rally slows on China and growth concerns, but ...



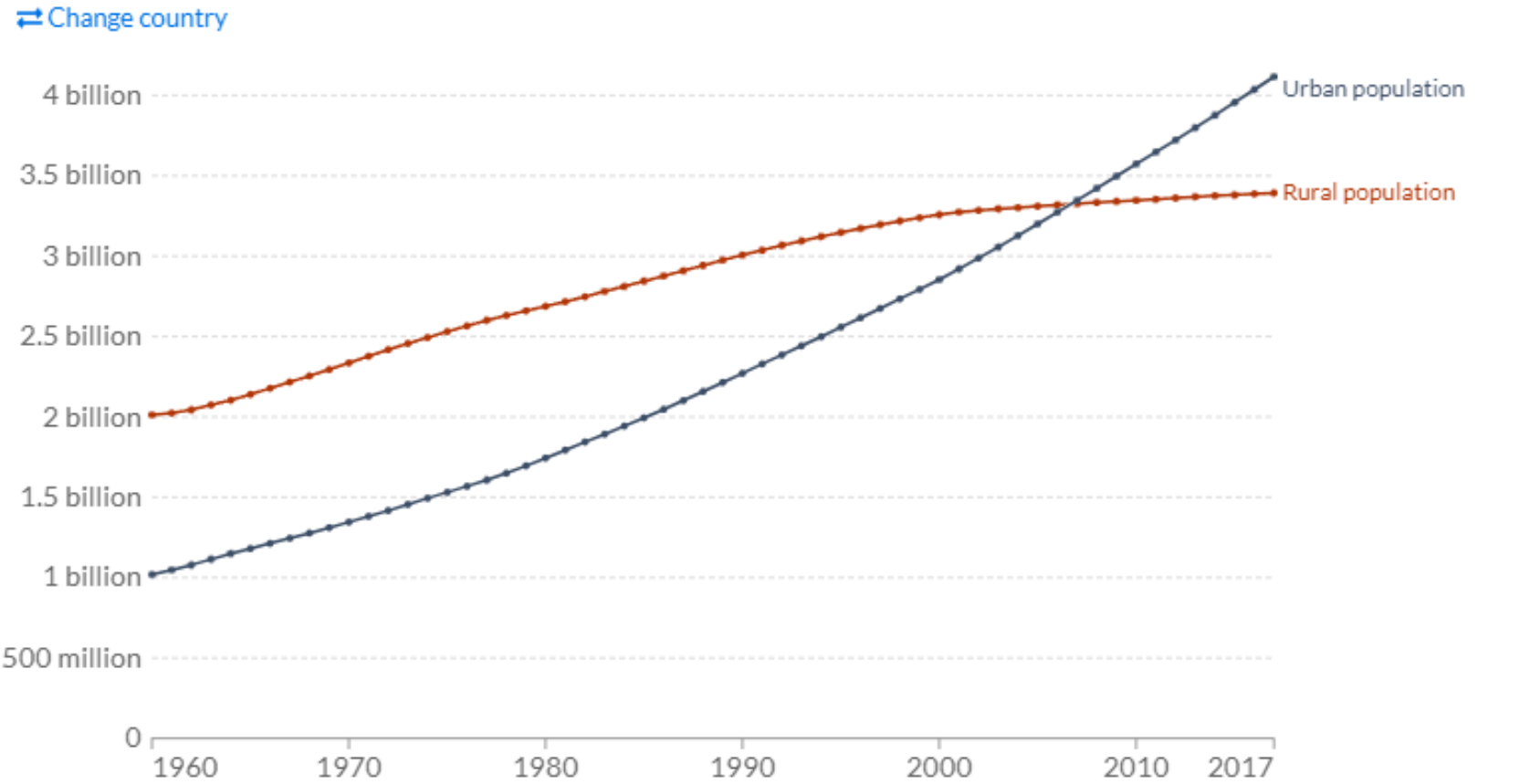
.. lack of investments, green transition and urbanisation to keep supply tight and inflation structurally high over the next decade

MSCI World Materials and Energy Sectors
12-month trailing capex



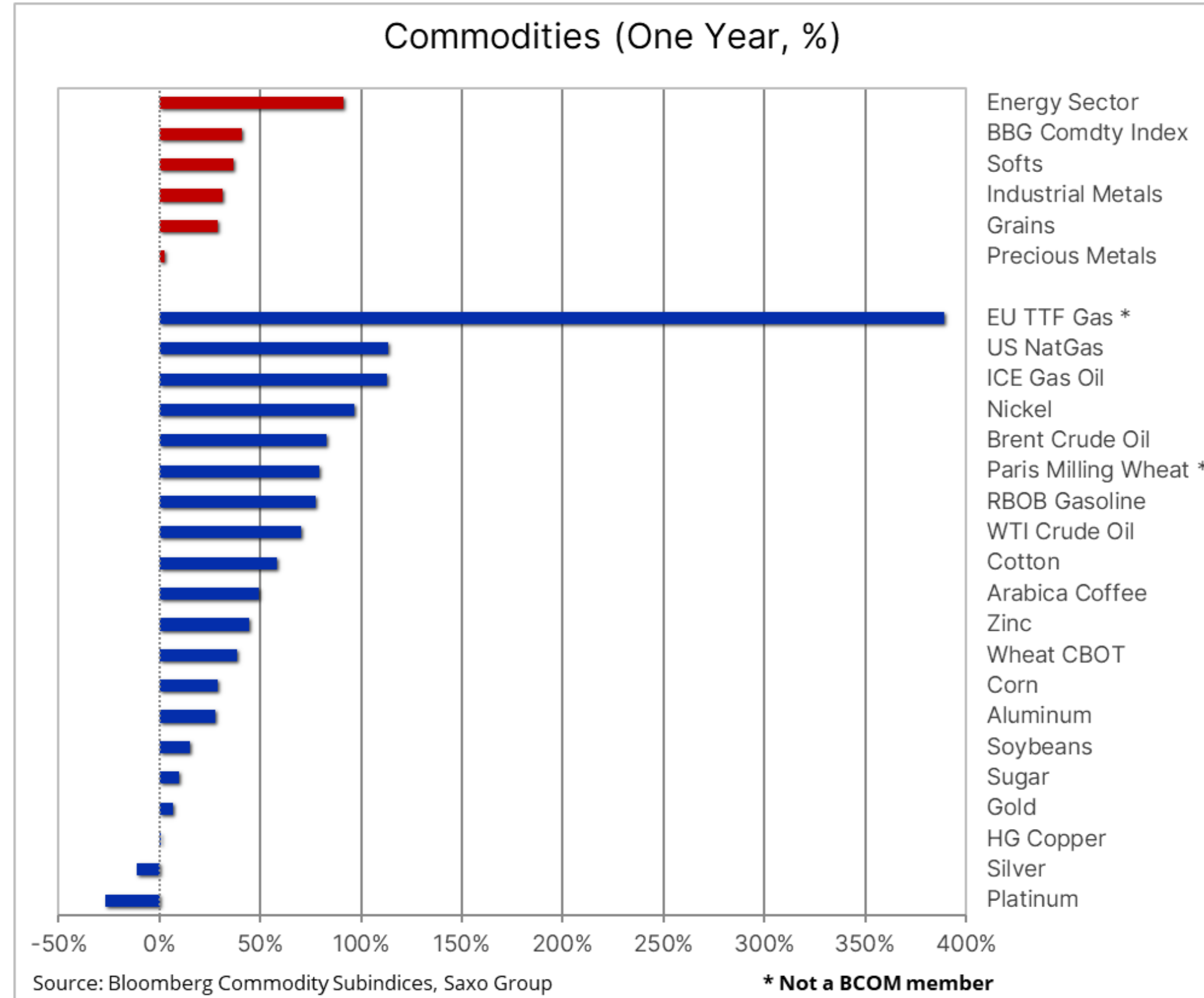
Source: Bloomberg and Saxo Group

Number of people living in urban and rural areas, World



Source: World Bank based on data from the UN Population Division
Note: Urban populations are defined based on the definition of urban areas by national statistical offices.
OurWorldInData.org/urbanization • CC BY

What drives a commodity supercycle?

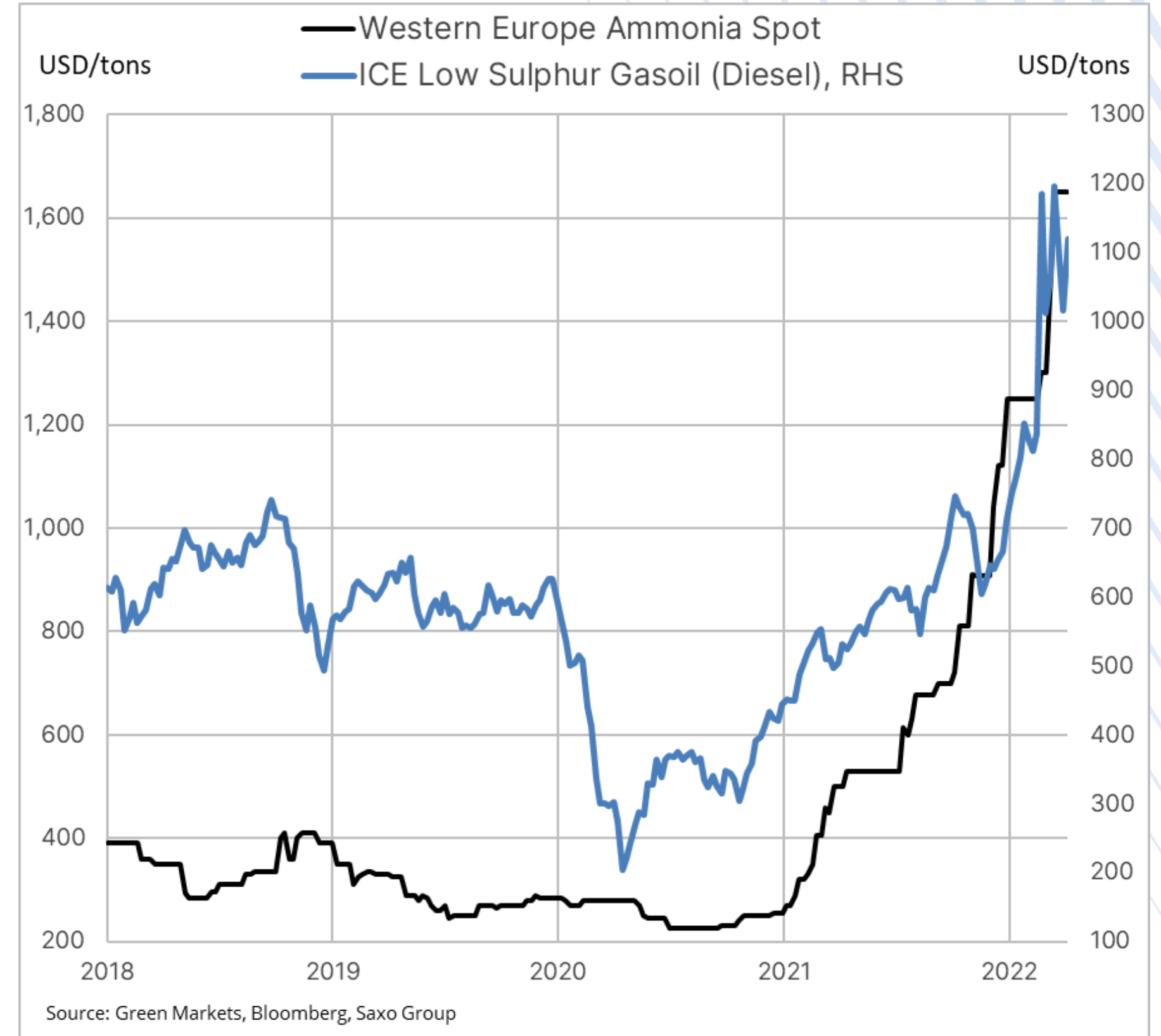
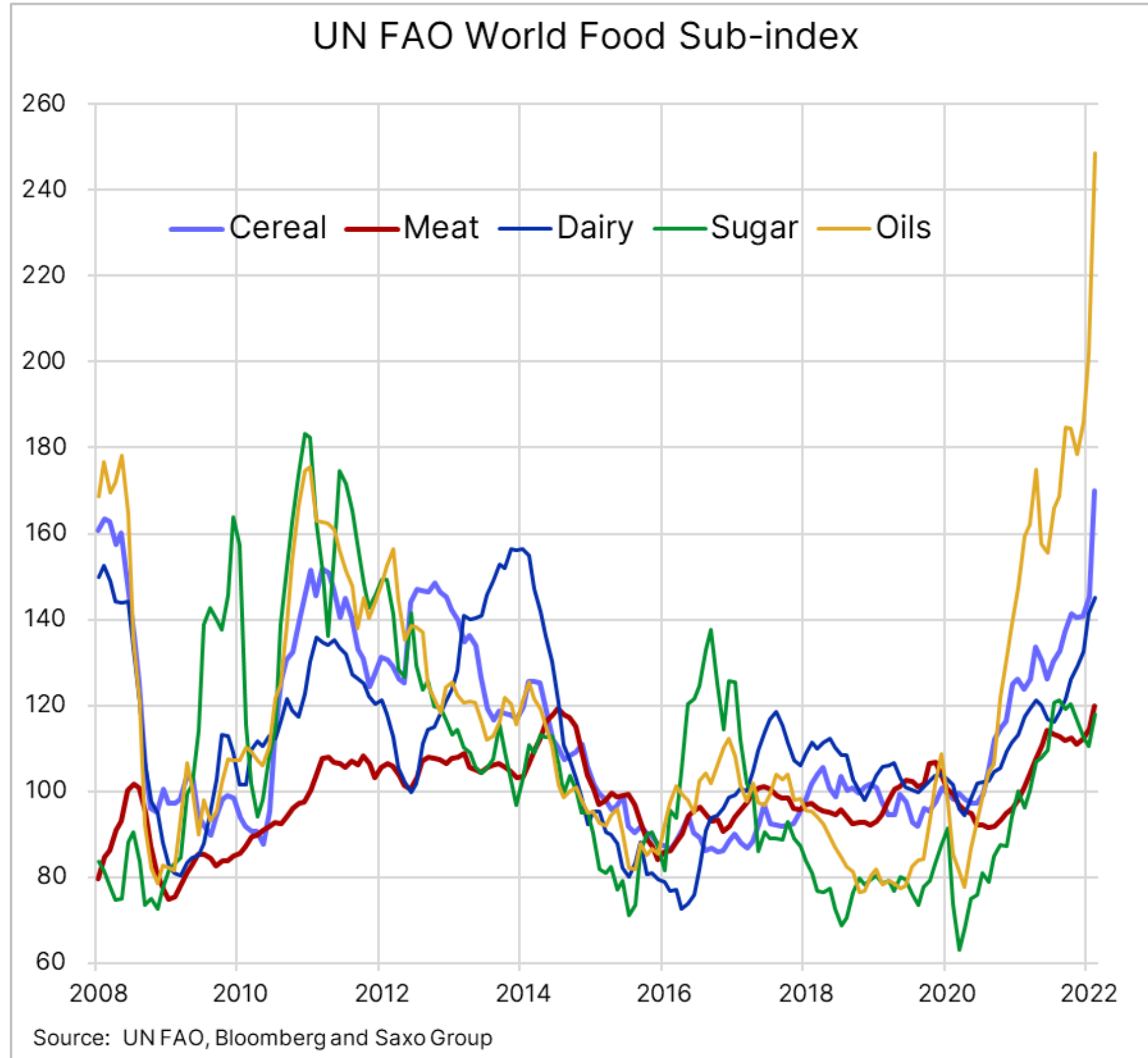


- Rising physical demand and tightening supply
- Increased demand for real assets from underweight investors
- A weaker dollar
- Heightened inflation risks
- ESG, investor and lending restrictions

Duration determined by:

- Prolonged period of a mismatch between rising demand and inelastic supply
- Supply/demand imbalances take years to correct
- High start-up capex for new projects and falling ore grades

Global food price surge driven by weather & war => fuel and fertilizer



COT: Specs hold elevated exposure in agriculture

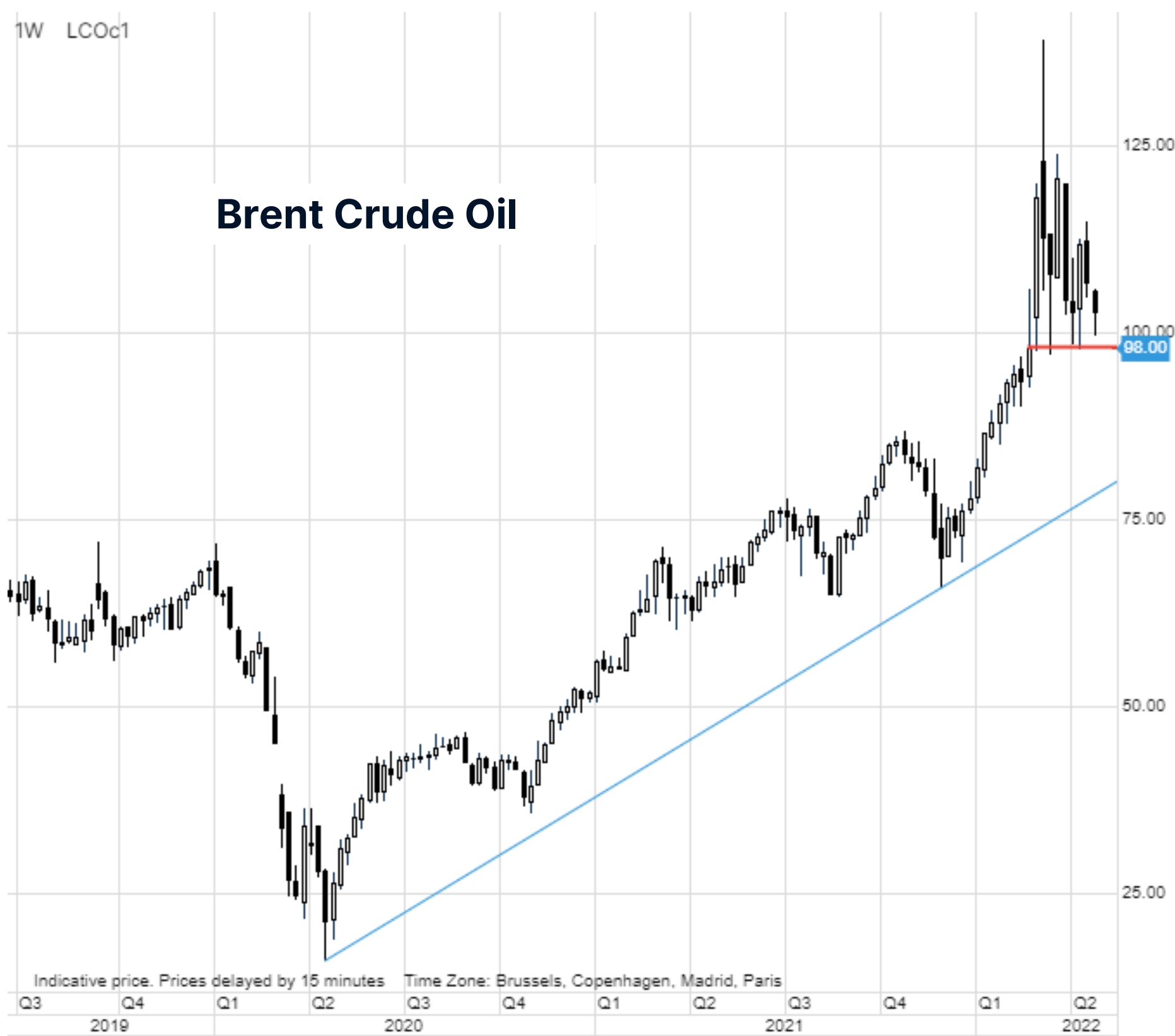
Week to Tuesday: 19-Apr-22	Leveraged Fund Positions							Trend	One-year Position Extremes			Price change Pct	Long / short ratio	Forward Curve		Notional Value	
	Long	Change	Short	Change	Net	Change	Change Pct		High	Low	Relative to max			1st-2nd	1 Year	Change Bn. USD	Total Bn. USD
WTI Crude (CME)	269,278	-11,401	28,954	3,144	240,324	-14,545	-6%		424,509	240,324	57%	1.9%	9.3	1.0%	14.7%	-1.5	24.5
Brent Crude (ICE)	253,935	18,278	80,618	-9,040	173,317	27,318	19%		332,677	145,999	52%	2.5%	3.1	0.5%	13.3%	2.9	18.6
Gas Oil (ICE)	93,285	-742	10,653	533	82,632	-1,275	-2%		163,270	81,334	51%	7.1%	8.8	4.0%	23.0%	-0.1	9.1
RBOB Gasoline	64,142	4,245	4,380	1,407	59,762	2,838	5%		81,140	36,652	74%	3.0%	14.6	0.6%	17.0%	0.4	7.9
NY Harbor ULSD	31,263	1,583	19,761	977	11,502	606	6%		49,714	8,809	23%	11.5%	1.6	7.7%	25.3%	0.1	1.9
NatGas (4 contr.)	345,264	-15,046	209,098	-9,954	136,166	-5,093	-4%		359,000	-268,000	38%	7.4%	1.7	-2.0%	38.5%	-0.4	9.8
Gold	180,607	-12,585	55,640	7,112	124,967	-19,697	-14%		175,694	42,123	71%	-0.9%	3.2	-0.4%	-2.4%	-3.9	24.5
Silver	57,673	2,275	16,391	3,810	41,282	-1,535	-4%		49,248	900	84%	-1.3%	3.5	-0.2%	-2.3%	-0.2	5.3
Platinum	16,532	-533	15,848	-1,319	684	786	-771%		26,076	-16,322	3%	1.7%	1.0	-0.3%	-1.0%	0.0	0.0
Palladium	1,128	-200	1,690	-20	-562	-180	47%		4,428	-3,209	-18%	1.1%	0.7	-0.1%	-0.2%	-0.0	-0.1
HG Copper	70,405	492	45,012	3,785	25,393	-3,293	-11%		66,421	10,169	38%	0.3%	1.6	-0.4%	-0.1%	-0.4	3.0
Soybeans	183,980	5,770	4,257	-2,080	179,723	7,850	5%		180,334	12,137	100%	1.9%	43.2	1.6%	13.1%	0.7	15.2
Soybean Meal	102,570	5,256	3,028	-875	99,542	6,131	7%		103,159	-40,324	96%	0.4%	33.9	1.5%	12.6%	0.3	4.6
Soybean Oil	99,507	13,371	3,419	1,346	96,088	12,025	14%		96,088	38,980	100%	5.6%	29.1	3.3%	16.9%	0.6	4.5
Corn	390,912	11,104	11,802	1,946	379,110	9,158	2%		384,101	208,799	99%	3.5%	33.1	0.5%	8.1%	0.4	15.2
Wheat (CBOT)	90,654	721	76,184	2,890	14,470	-2,169	-13%		24,185	-34,658	60%	-0.3%	1.2	-0.9%	0.2%	-0.1	0.8
Wheat (KCBT)	53,734	415	3,893	-34	49,841	449	1%		65,609	14,852	76%	0.8%	13.8	-0.6%	0.9%	0.0	2.9
Sugar	271,108	4,971	34,881	6,501	236,227	-1,530	-1%		270,218	53,782	87%	-2.5%	7.8	0.2%	1.7%	-0.0	5.2
Cocoa	59,325	-345	31,514	4,876	27,811	-5,221	-16%		42,254	-24,412	66%	-2.1%	1.9	-0.8%		-0.1	0.7
Coffee	37,590	-3,891	7,984	3,260	29,606	-7,151	-19%		60,133	24,632	49%	-5.1%	4.7	0.0%	1.4%	-0.6	2.5
Cotton	74,794	-4,554	1,282	240	73,512	-4,794	-6%		96,743	35,012	76%	0.6%	58.3	8.5%	20.3%	-0.3	5.1
Live Cattle	83,644	2,901	36,837	-4,408	46,807	7,309	19%		92,649	25,157	51%	0.2%	2.3	-1.4%	-8.7%	0.4	2.6
Feeder Cattle	10,669	-204	15,079	-594	-4,410	390	-8%		12,539	-4,952	-89%	-1.3%	0.7	-3.8%		0.0	-0.4
Lean Hogs	69,369	1,198	12,862	-634	56,507	1,832	3%		89,131	36,782	63%	2.4%	5.4	-6.2%	12.1%	0.1	2.7
Total	2,911,368		731,067		2,180,301	10,210	0%		2,544,658	1,692,368	86%					-1.8	166.0

\$72 bn

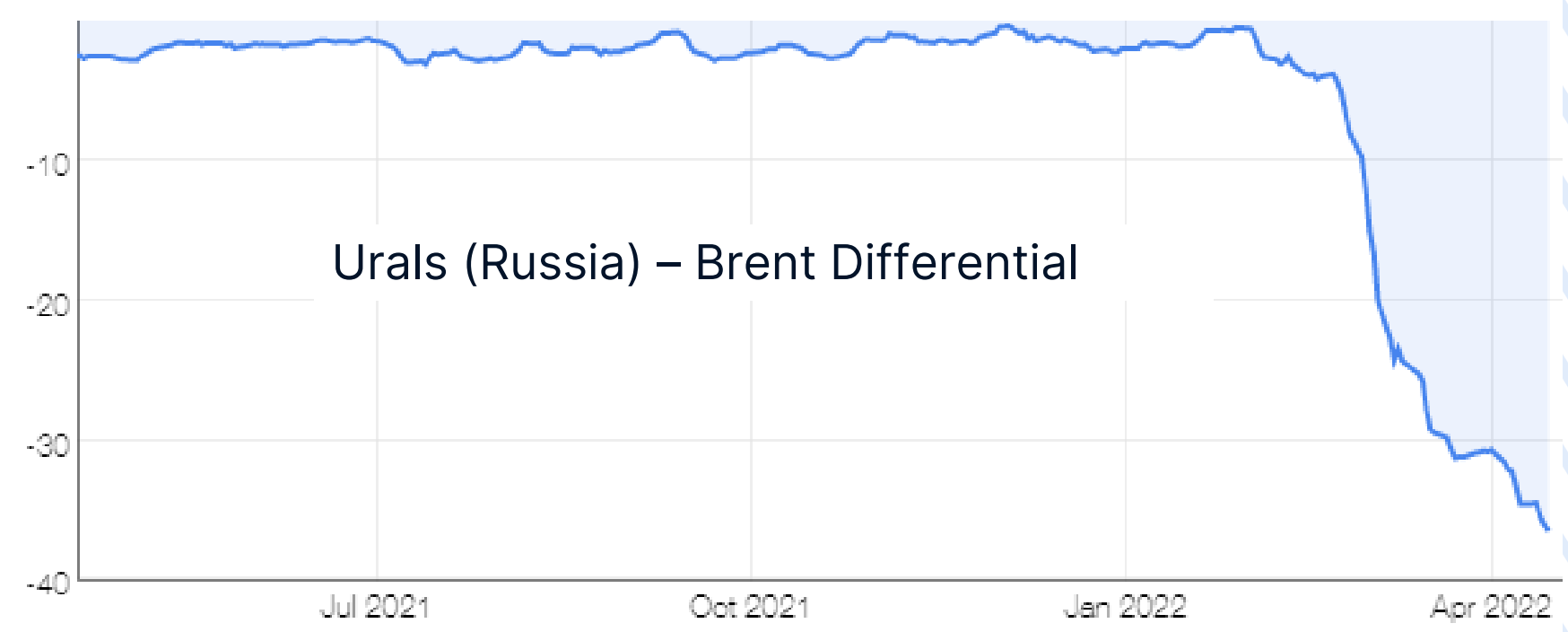
\$62 bn

Source: CFTC, ICE, Bloomberg and Saxo Group

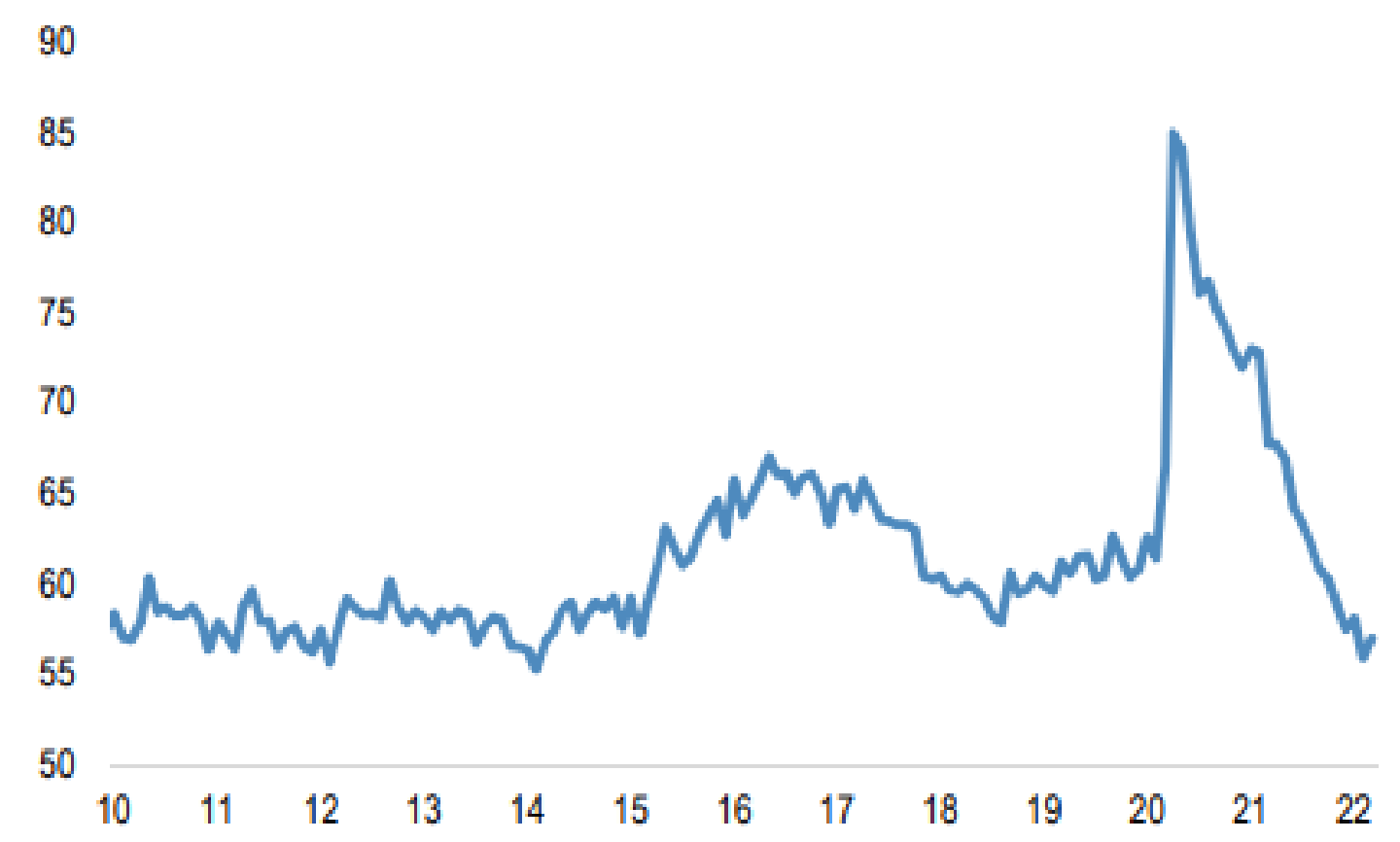
Crude Oil: \$90-\$120 range, but long-term structural issues supports



Source: Saxo Group

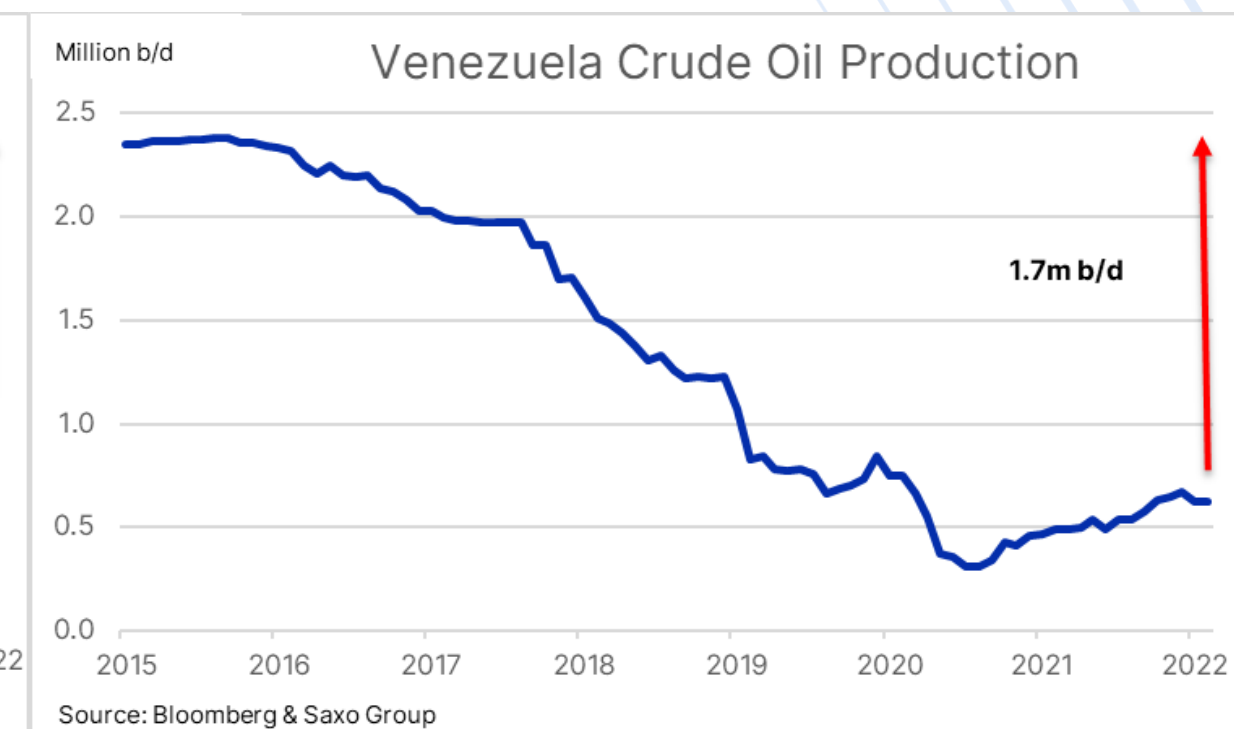
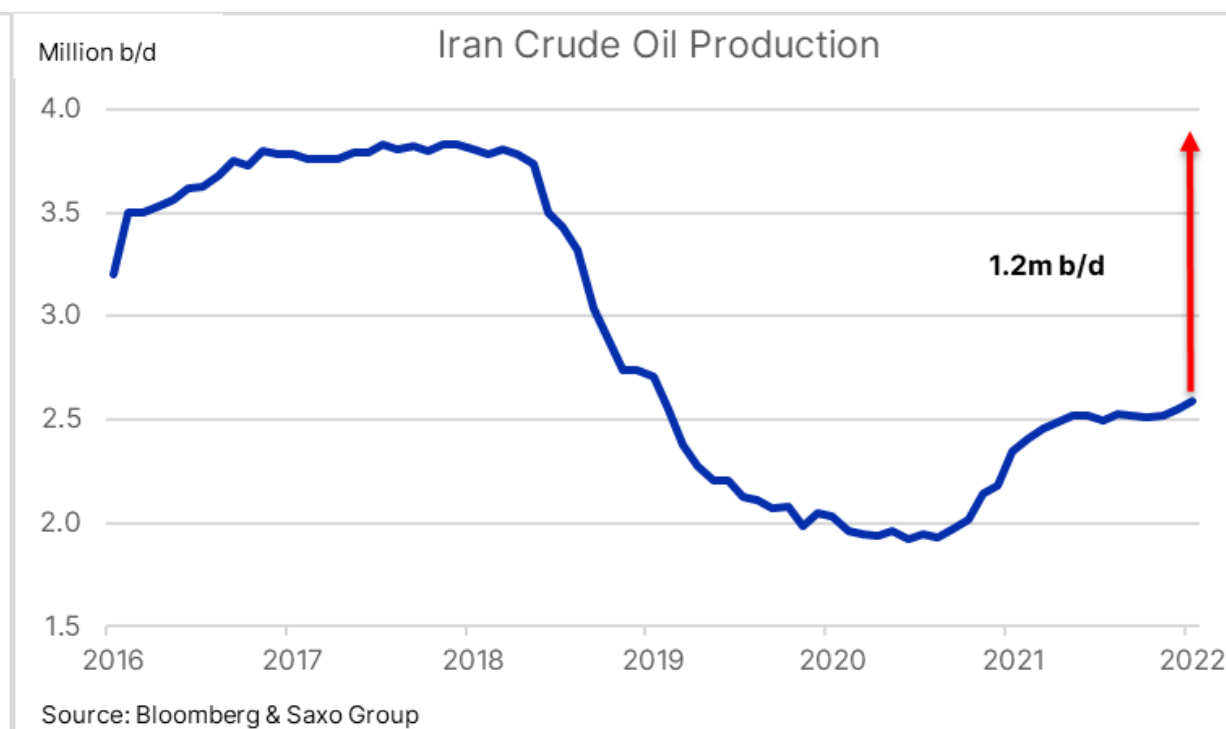
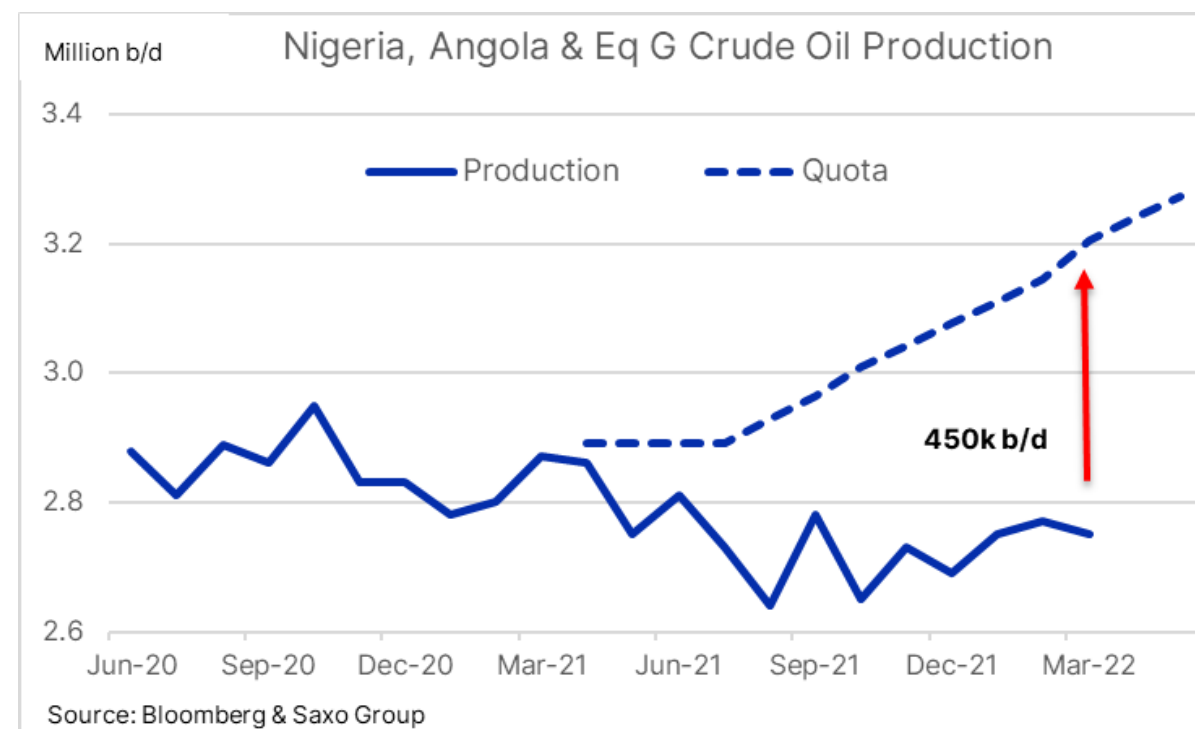
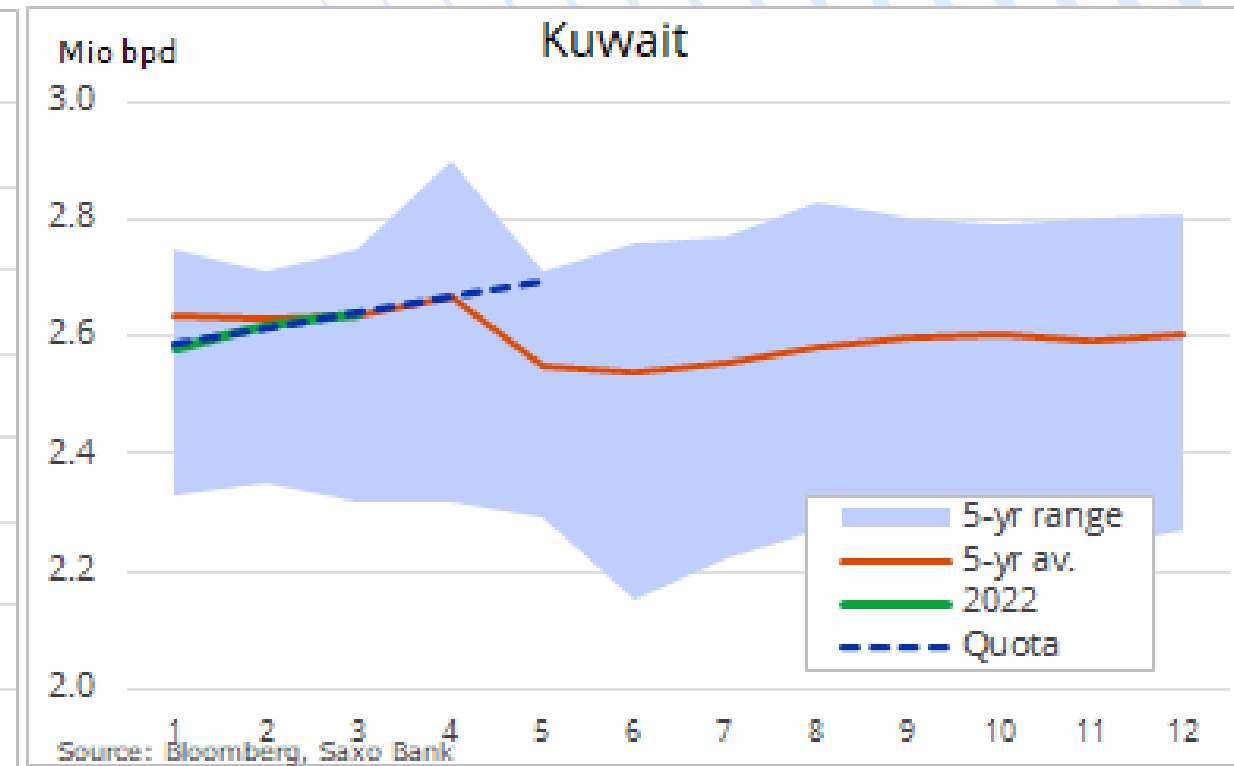
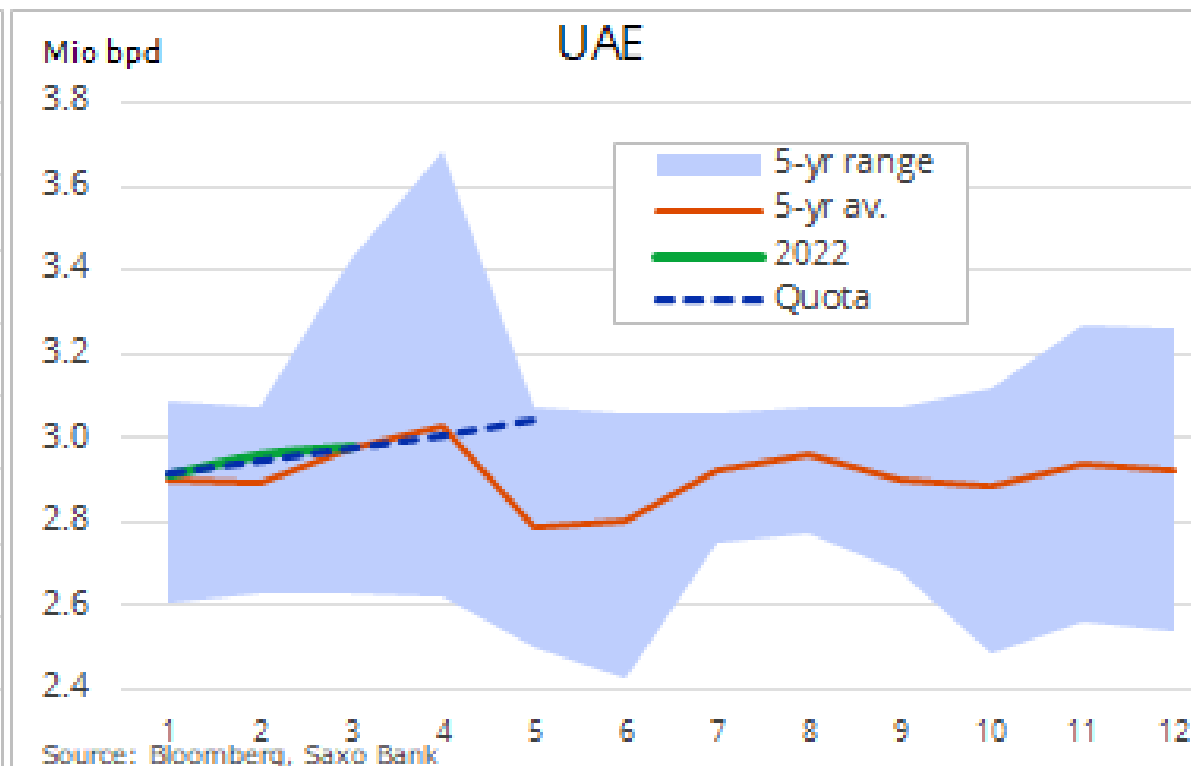
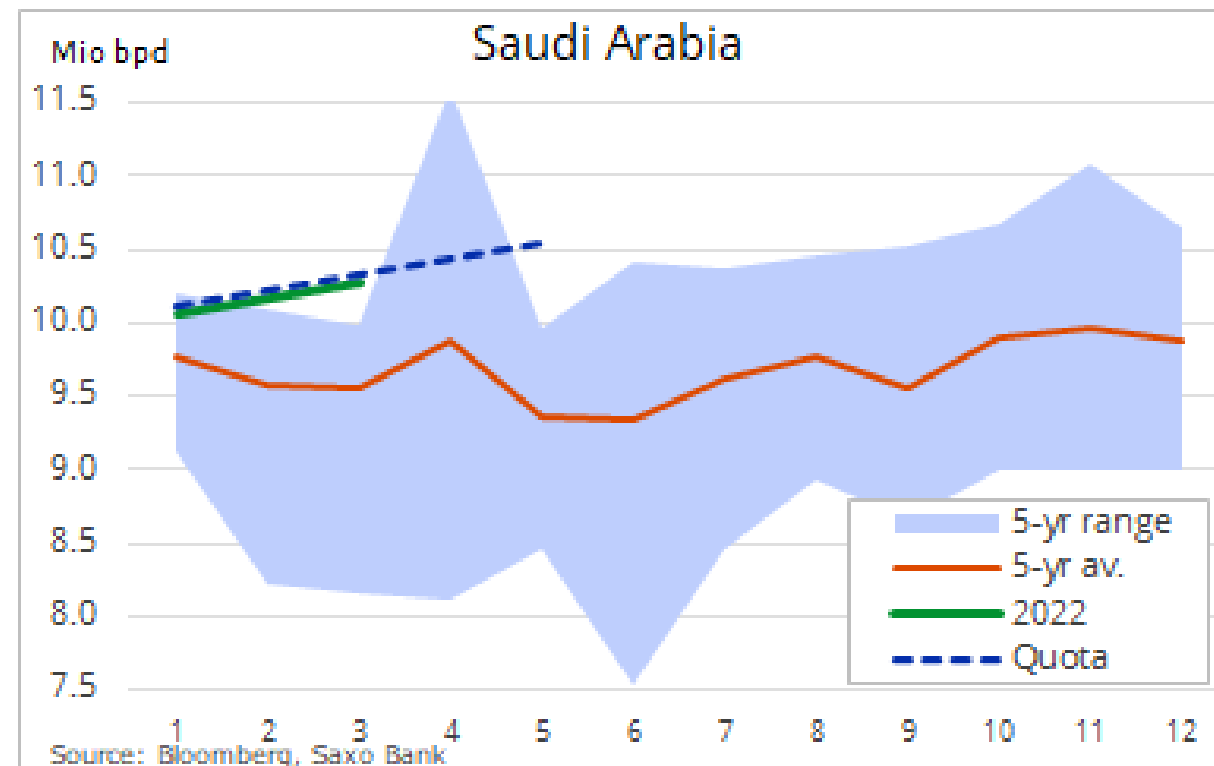


OECD commercial oil stocks in days of cover

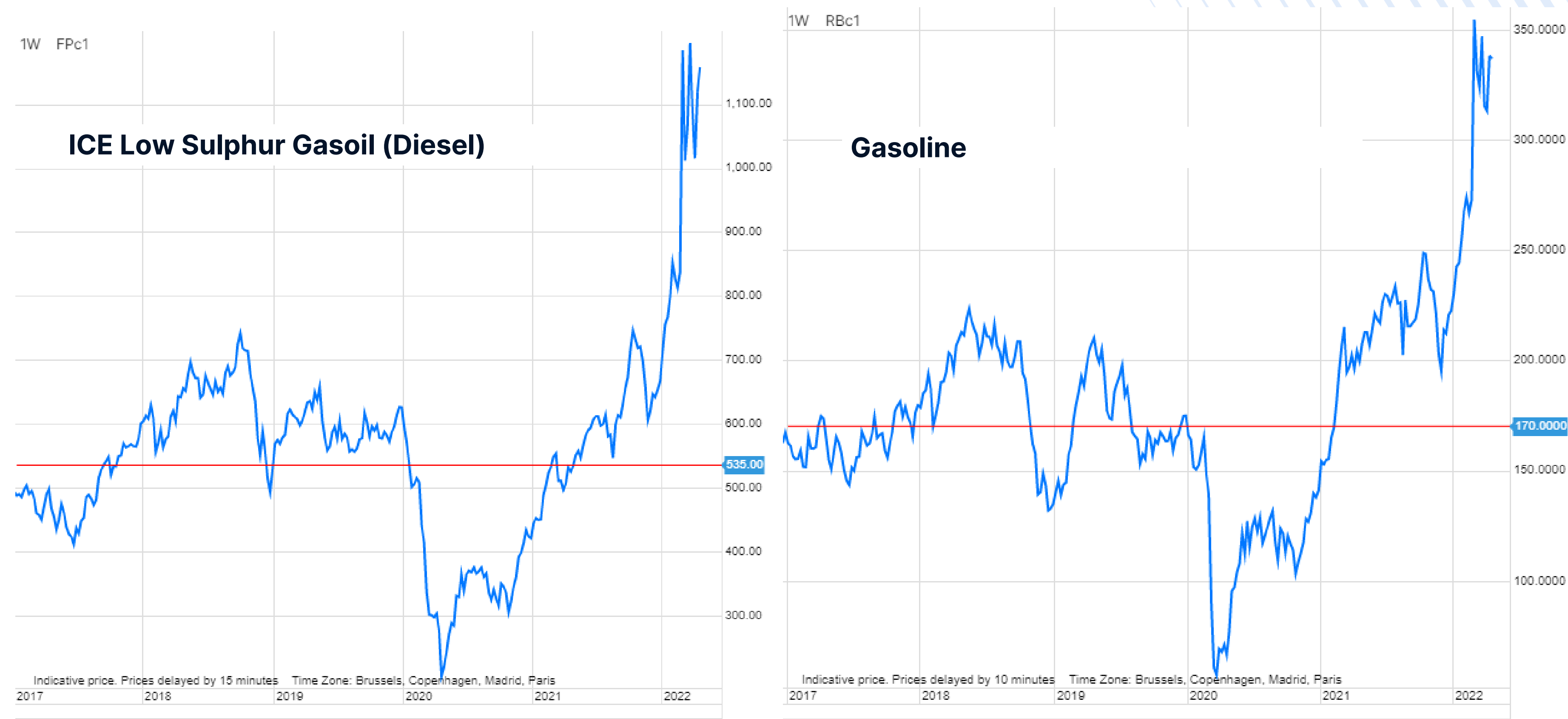


Source: IEA, JP Morgan

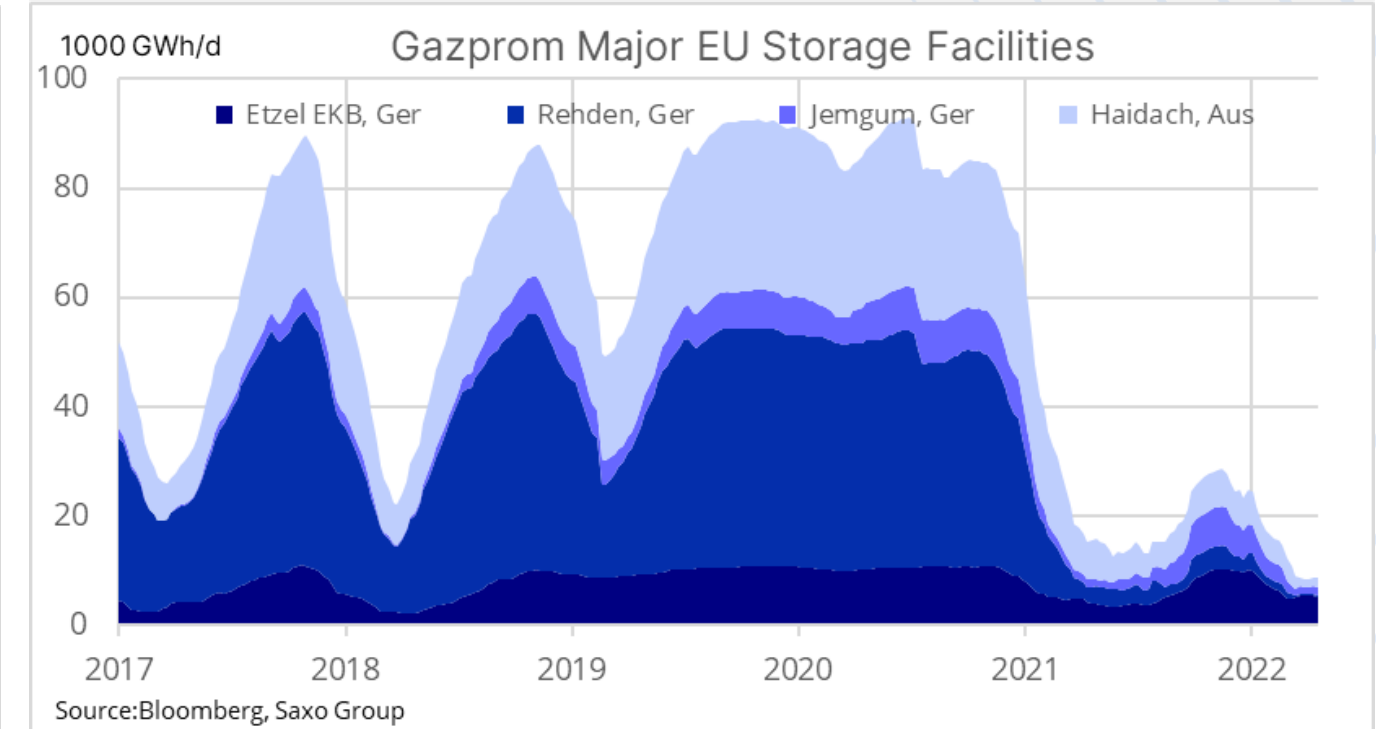
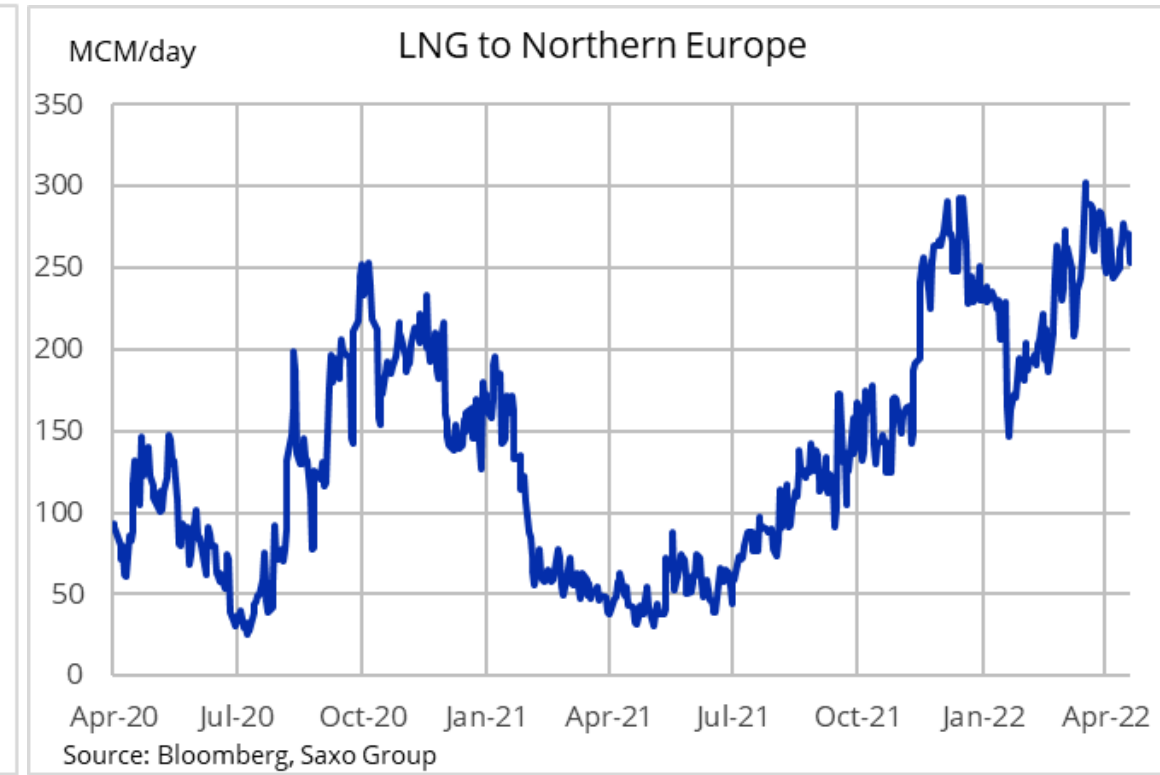
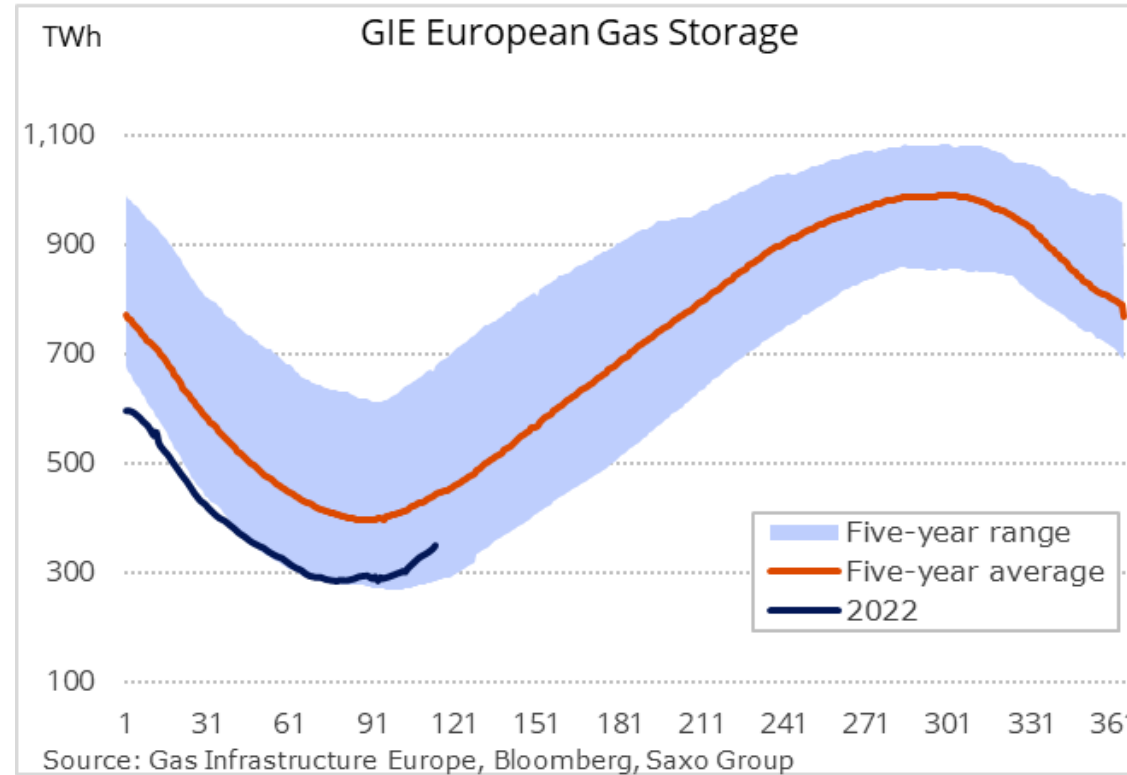
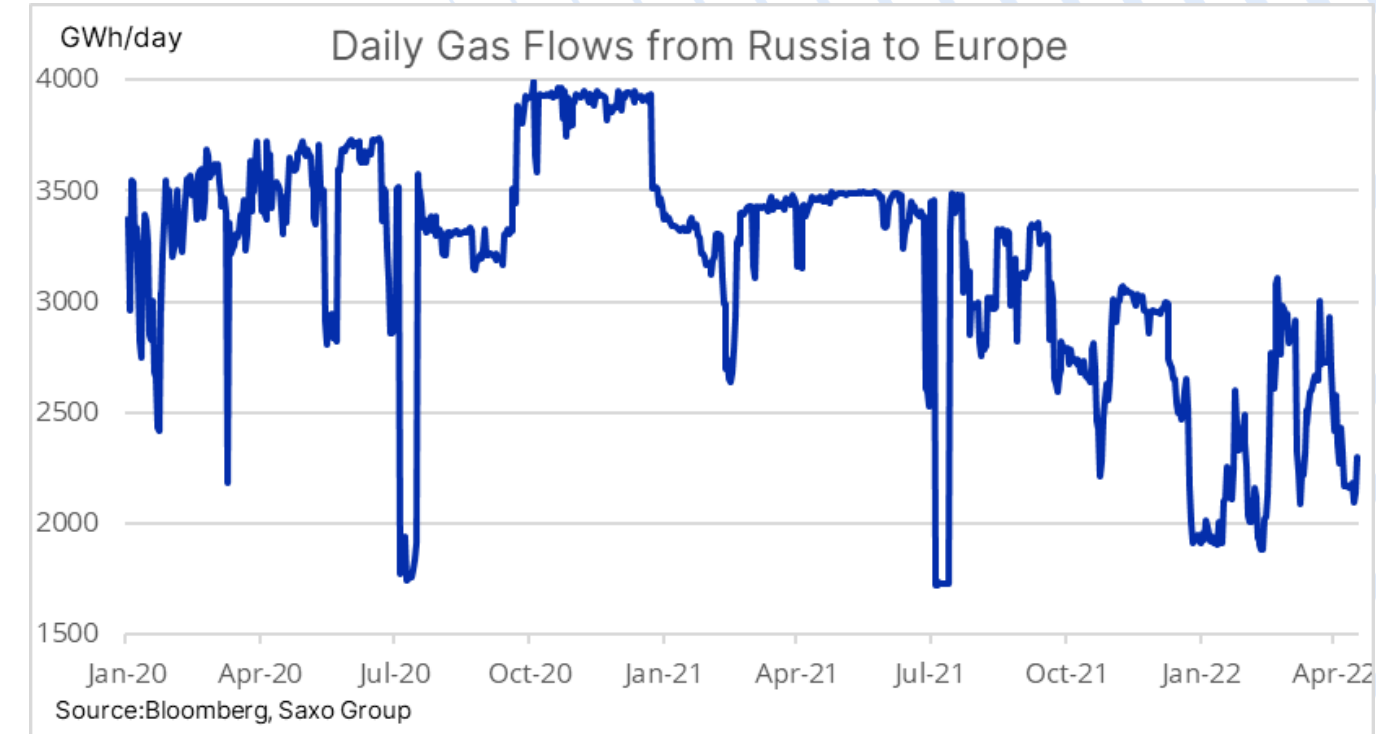
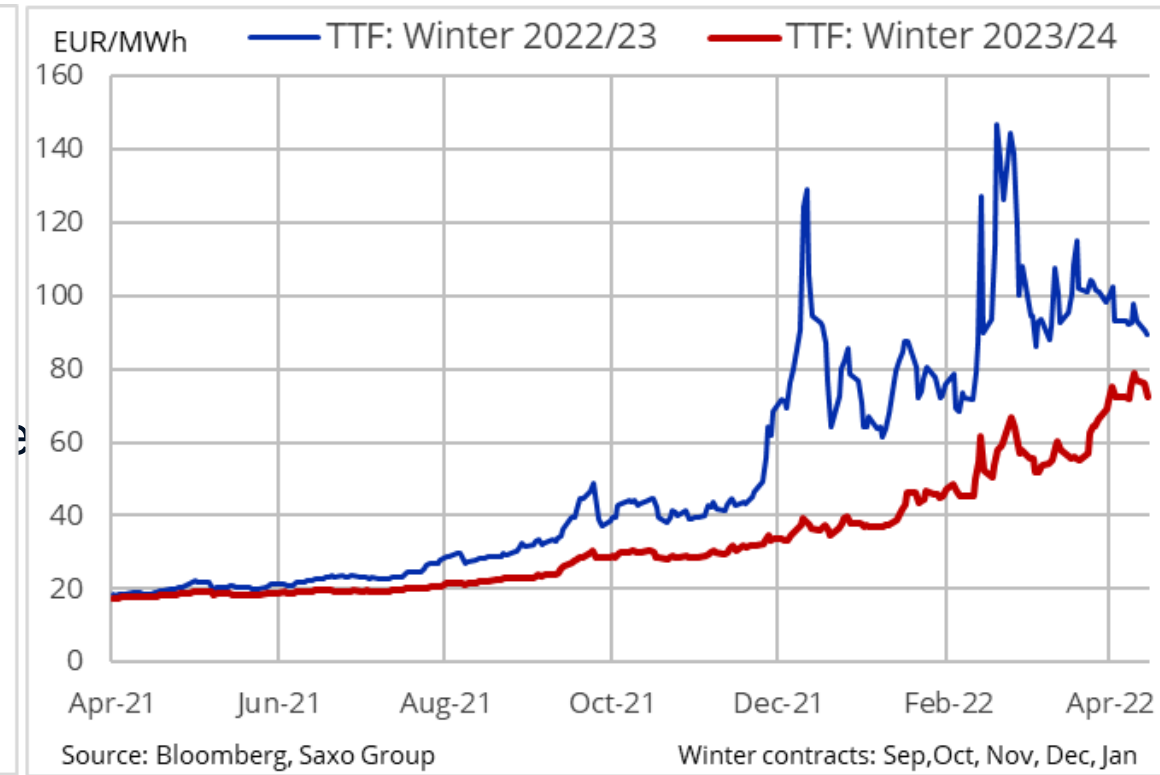
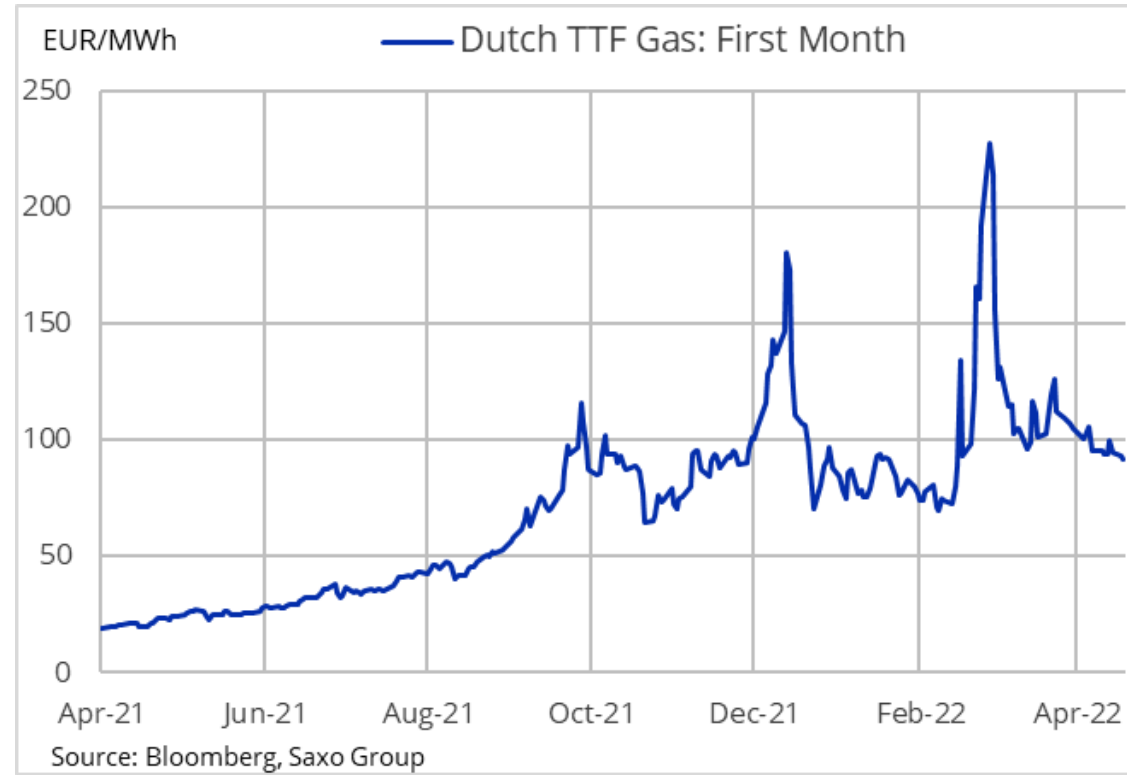
OPEC is struggling due to lack of investments and sanctions



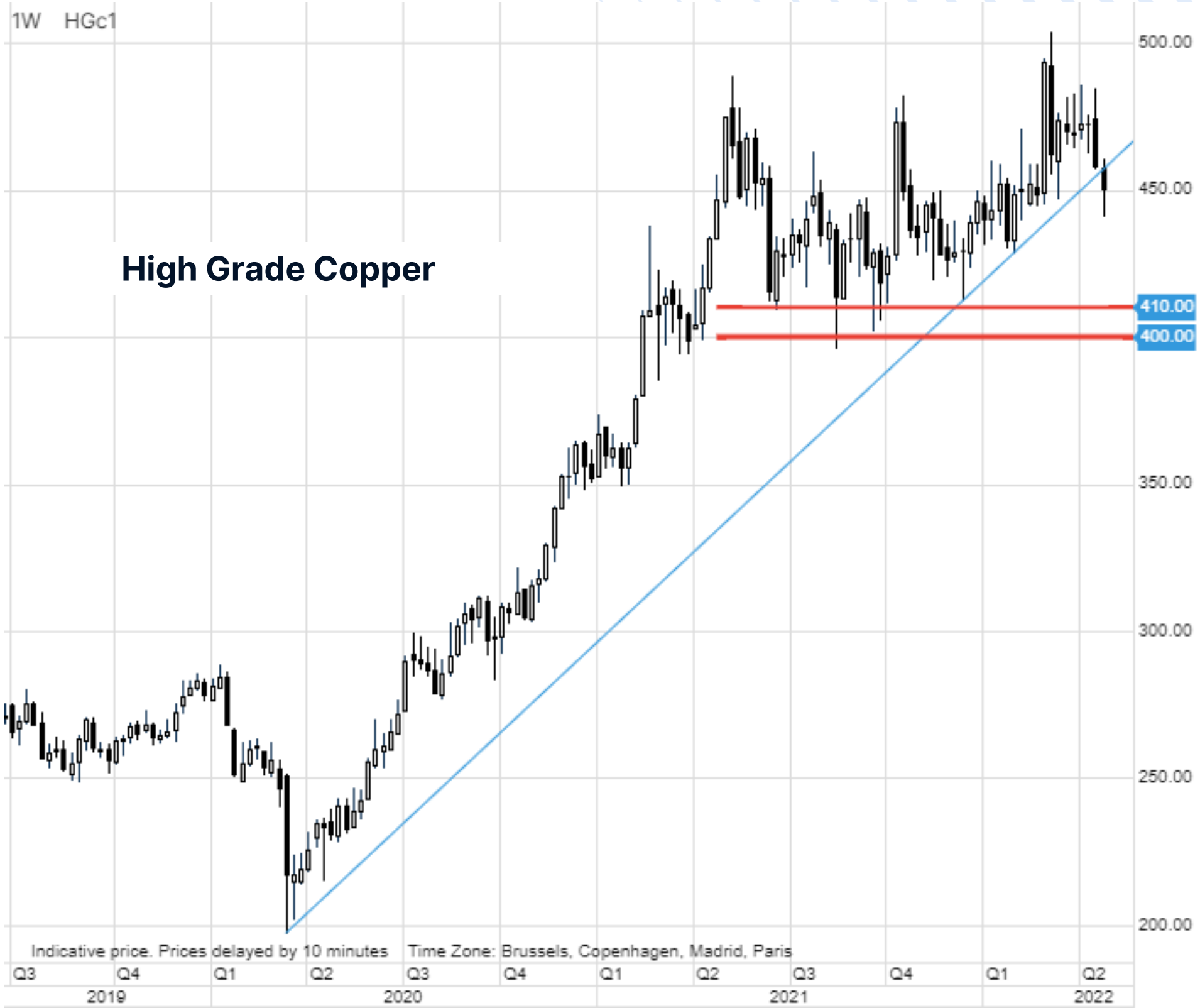
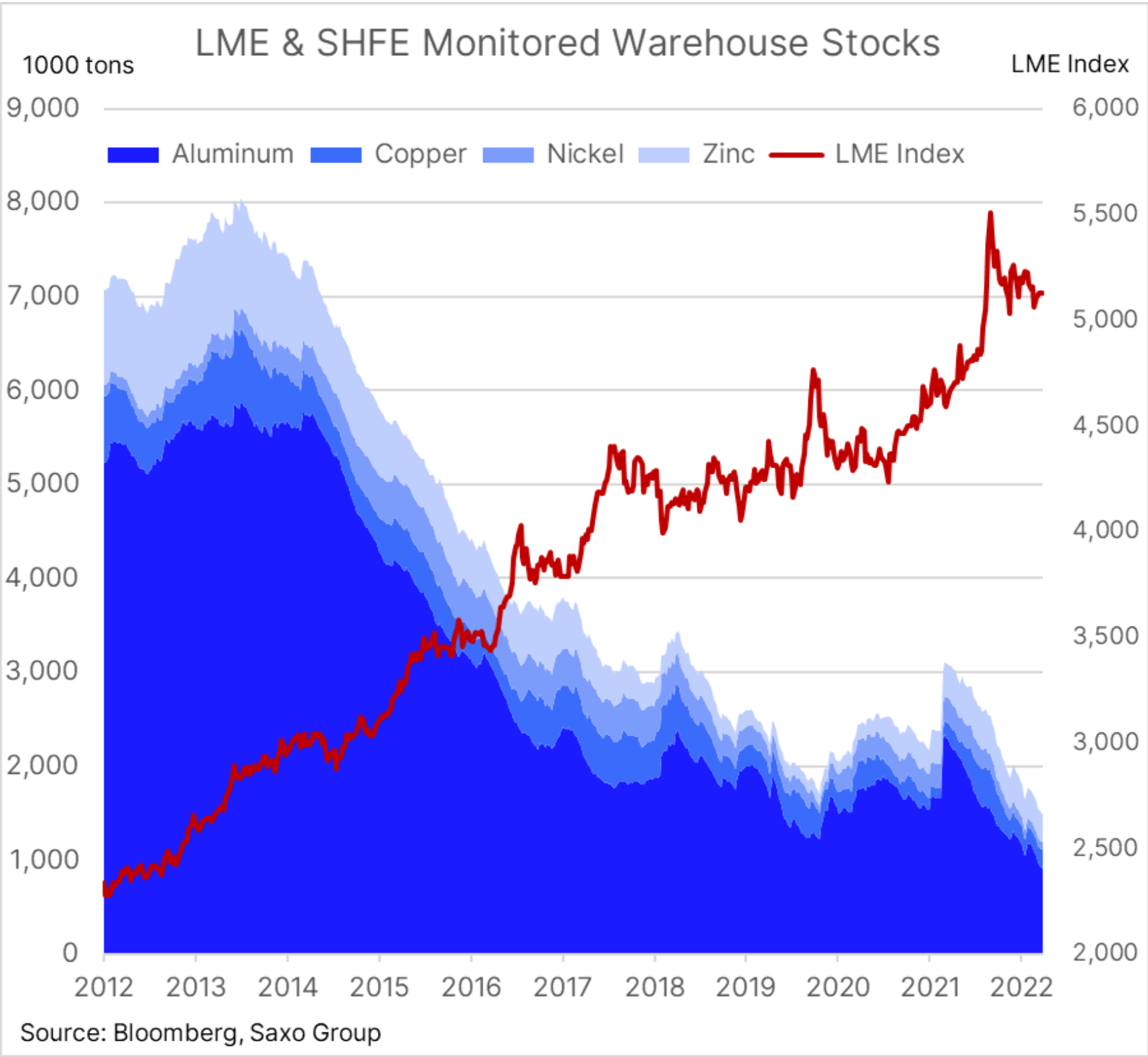
Diesel and gasoline have reached demand destruction territory



EU gas market in a flux with no improvement seen until after 2024



Industrial metals: Tight supply and green transformation vs slowdown risks



Source: Saxo Group

Energy transformation needs metals of most colors

COPPER – The king of renewables

- Renewables, energy storage and transmission

Aluminum - One-third the weight of steel enabling “lightweighting” of EV => increased battery mileage

Tin - Used in electronic components, many being vital for the low carbon economy

Lithium, cobalt, zinc and nickel – All essential ingredients needed in current and future battery production

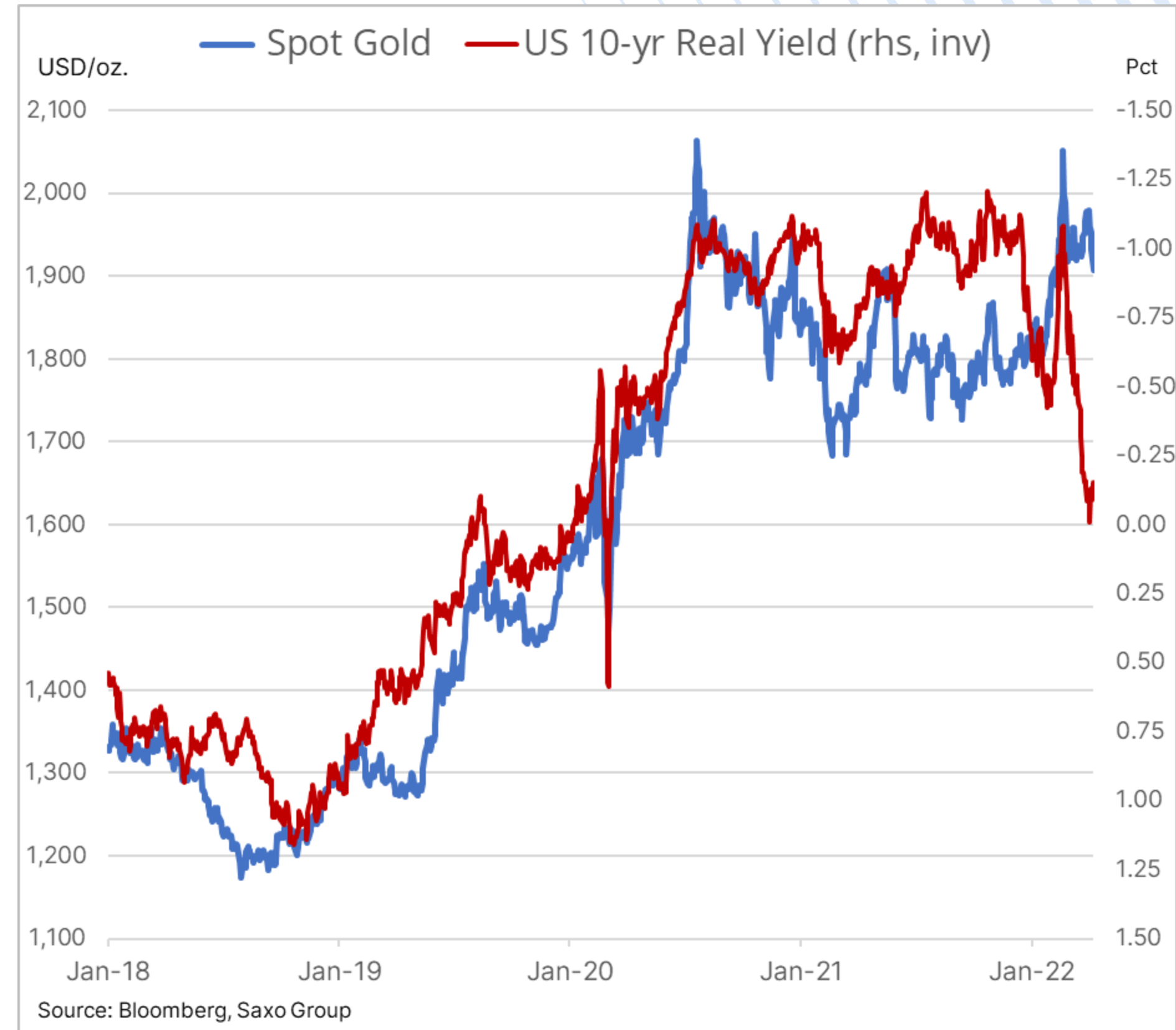
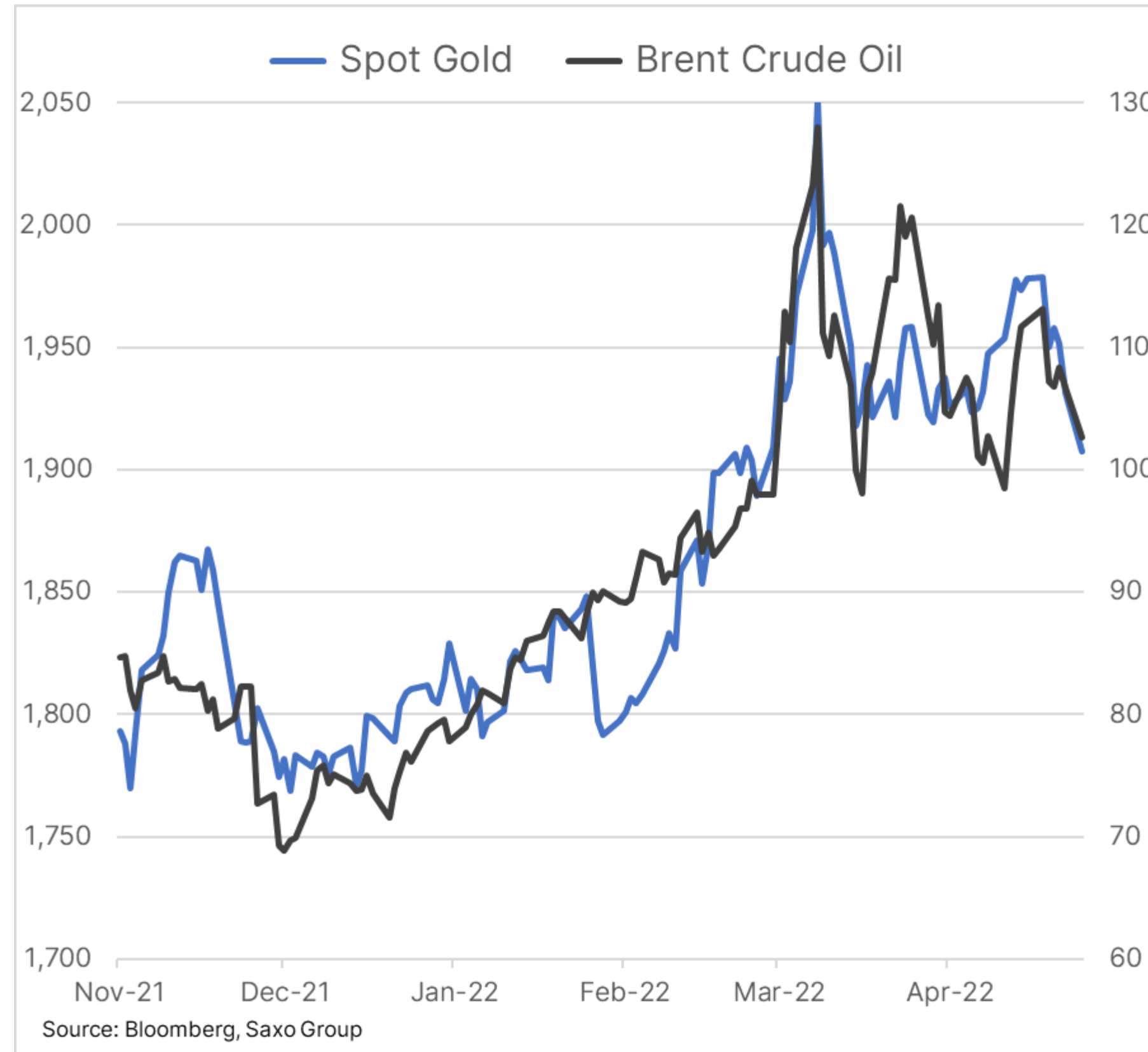
Rare Earths Elements (REMX:arcx)

- Magnets used in wind turbine generators and EV motors, low-energy lighting and catalytic converters
- EV battery pack without REE’s needs to be about 30% larger to cover same distance

Other metals

- Silver: EV’s and photovoltaic applications
- Platinum: Tighter auto emission standards, hydrogen fuel cell EV’s using platinum-based proton membrane fuel cells
- Uranium with increased focus on nuclear power generation

Gold: S/t correction risk vs l/t support from growth, inflation & volatility



Gold: Three-year consolidation before the next push higher



Source: Saxo Group

Silver in wide range. Needs support from both gold and copper to perform

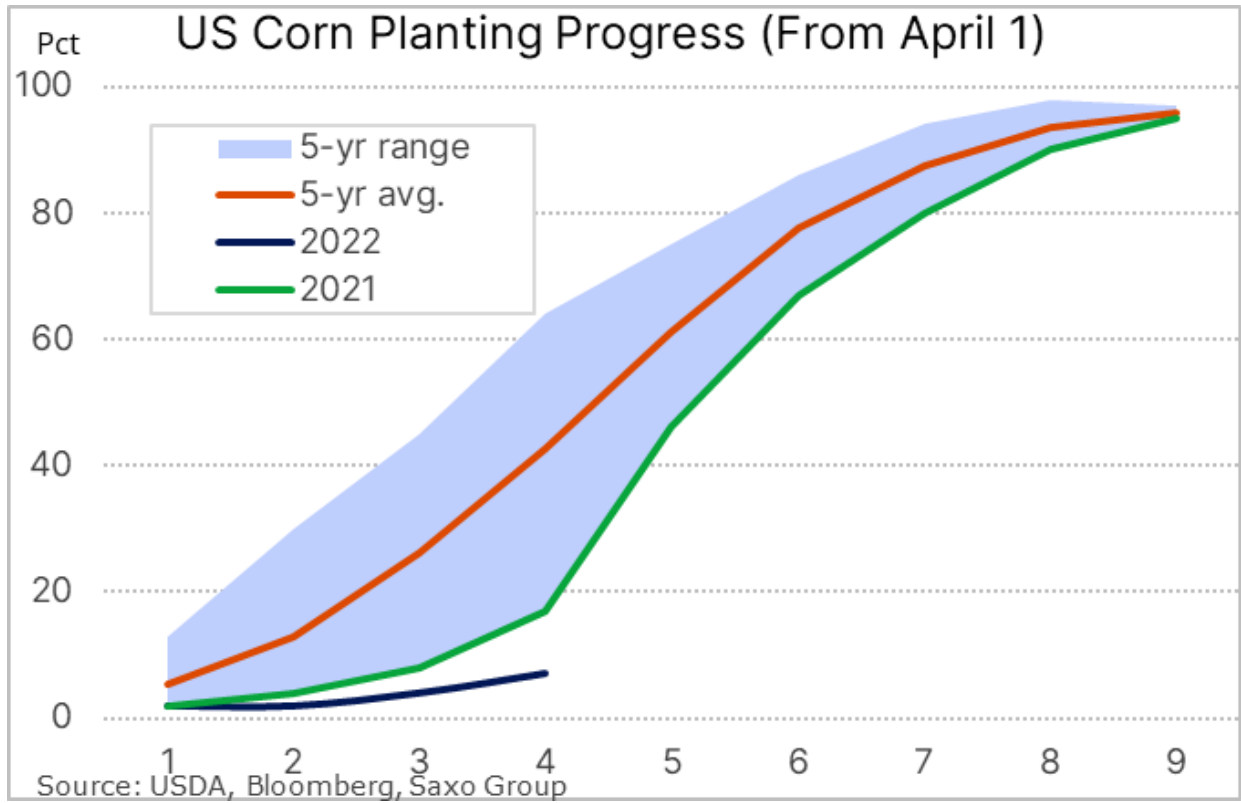
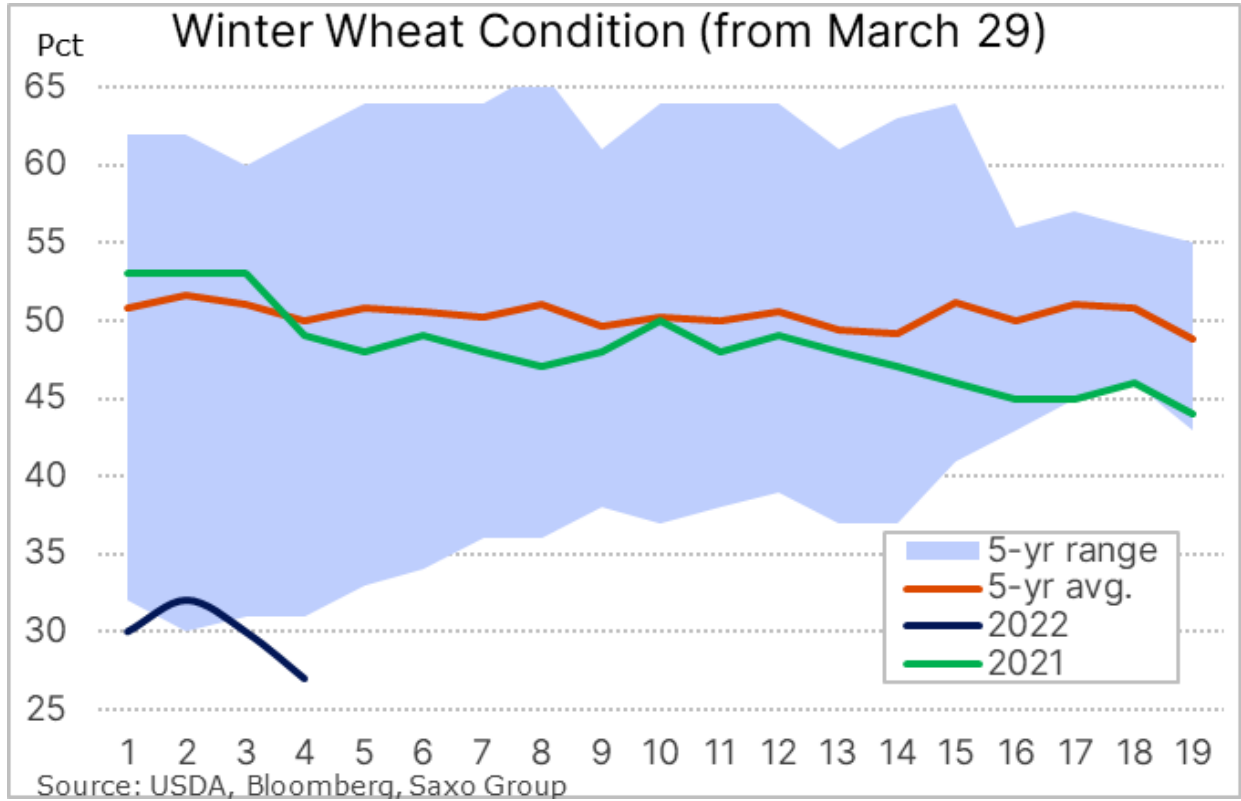


Source: Saxo Group



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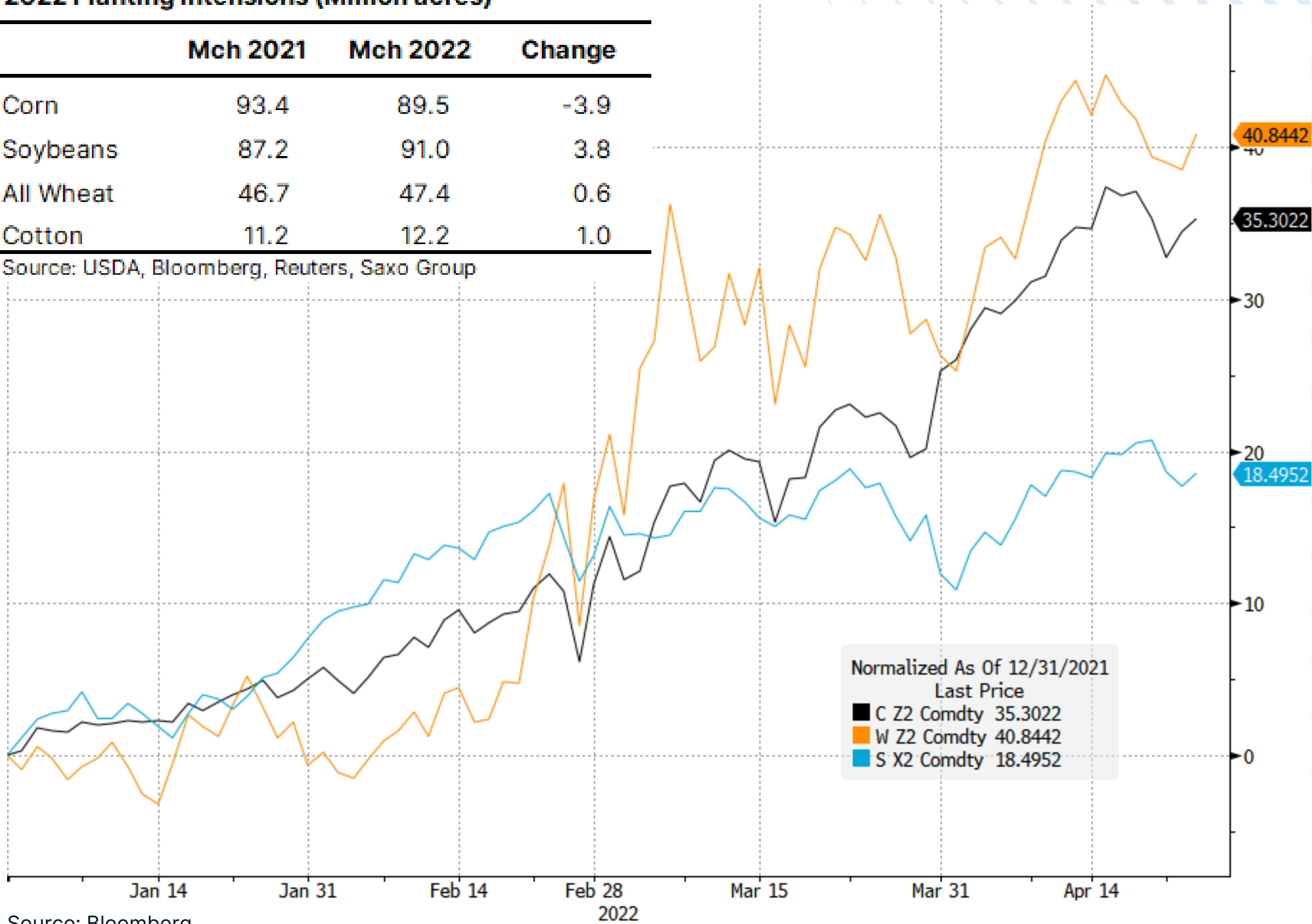
Agriculture: US season off to a troubled start, more switching to beans?



2022 Planting Intentions (Million acres)

	Mch 2021	Mch 2022	Change
Corn	93.4	89.5	-3.9
Soybeans	87.2	91.0	3.8
All Wheat	46.7	47.4	0.6
Cotton	11.2	12.2	1.0

Source: USDA, Bloomberg, Reuters, Saxo Group



Commodities remain ahead of the pack

Name	Mkt Cap (USD mn.)	Sales growth (%)	EBIT margin (%)	Diff to PT (%)
Exxon Mobil Corp	359,732	54.9	8.4	9.5
Shell PLC	200,962	44.8	8.5	19.4
BHP Group Ltd	176,151	47.1	48.4	1.9
PetroChina Co Ltd	134,882	35.2	6.9	38.2
Rio Tinto Ltd	115,330	42.3	47.0	8.3
ConocoPhillips	124,434	144.0	25.9	28.2
Equinor ASA	112,773	94.0	37.8	-0.3
Petroleo Brasileiro SA	87,000	66.4	44.7	8.4
Glencore PLC	74,583	43.1	5.0	27.9
China Shenhua Energy Co Ltd	82,515	43.7	23.9	13.2
Canadian Natural Resources Ltd	74,187	77.9	34.5	11.5
Newmont Corp	59,143	5.0	9.7	9.0
Southern Copper Corp	51,132	36.9	55.5	-5.6
Archer-Daniels-Midland Co	51,849	32.5	3.3	-9.9
Mosaic Co/The	24,170	42.3	20.0	3.3
Wilmar International Ltd	20,513	30.2	4.1	32.2
Norsk Hydro ASA	17,681	30.9	11.1	29.5
Bunge Ltd	16,834	42.9	3.6	4.3
Mowi ASA	14,436	11.8	13.1	3.9
Svenska Cellulosa AB SCA	13,612	2.2	40.2	-3.8
Aggregate / median	1,811,917	42.6	16.5	9.5

Source: Bloomberg and Saxo Group

Saxo equity themes performance overview

Sorted on 1-year return

	1D	MTD	YTD	1Y	5Y
Commodities	-3.2	-1.9	28.8	50.0	151.9
Defence	-1.3	1.5	20.3	19.4	83.7
Logistics	-1.1	-5.0	-4.8	13.2	158.0
India (GDRs)	-2.3	-5.4	-5.9	13.0	89.5
Cyber security	-1.9	-6.0	-7.9	10.2	276.7
MSCI World (USD)	-2.6	-5.5	-10.4	0.0	71.4
Renewable energy	-1.7	-8.3	-6.4	-0.3	547.9
Mega Caps	-2.2	-6.7	-13.1	-3.2	196.4
Financial trading	-2.5	-7.0	-13.4	-8.2	189.9
Women in leadership	-3.1	-6.9	-11.9	-8.9	194.3
Travel	-2.5	-2.4	-1.2	-9.6	25.2
China's little giants	-1.5	-16.2	-33.6	-9.8	0.0
Semiconductors	-2.2	-13.1	-27.1	-12.0	232.5
Energy storage	-2.9	-17.8	-27.3	-12.3	710.4
MSCI EM (USD)	-1.0	-5.6	-12.2	-18.0	24.1
Green transformation	-2.2	-13.8	-25.7	-28.9	429.7
Gaming	-0.9	-12.2	-20.2	-35.1	203.2
3D Printing	-1.8	-9.8	-14.0	-36.3	41.4
China consumer & technology	0.6	-6.9	-26.1	-37.9	163.2
Payments	-3.7	-11.4	-22.4	-38.1	162.4
NextGen medicine	-1.5	-10.9	-30.9	-39.8	477.2
Crypto & blockchain	-4.0	-21.9	-34.2	-49.1	NA
Bubble stocks	-1.8	-15.1	-37.0	-51.5	581.4
E-commerce	-2.6	-15.5	-43.7	-61.4	166.2

Source: Bloomberg and Saxo Group

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Saxo Market Call Daily Podcast



Earnings blitz kicks off today in shadow of liquidity concerns

April 26, 2022

Slide deck: <https://bit.ly/3Kiig1A> -

Today we look at the market posting a bounce yesterday, but one that has yet to impress or significantly turn back the recent ugly acceleration in negative momentum. Today marks the start of a remarkable blitz in quarterly earnings reports, with key names like Microsoft, Alphabet and Visa reporting after the close, but many interesting other names that touch on key equity themes reporting before and during the US session later today. A look at crude oil, copper, grains, FX themes and more also on today's pod, which features Peter Garnry on equities, Ole Hansen on commodities and John J. Hardy hosting and on FX.



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