

CYCLOPE

World economy and markets : is the 2008 crisis really over ?

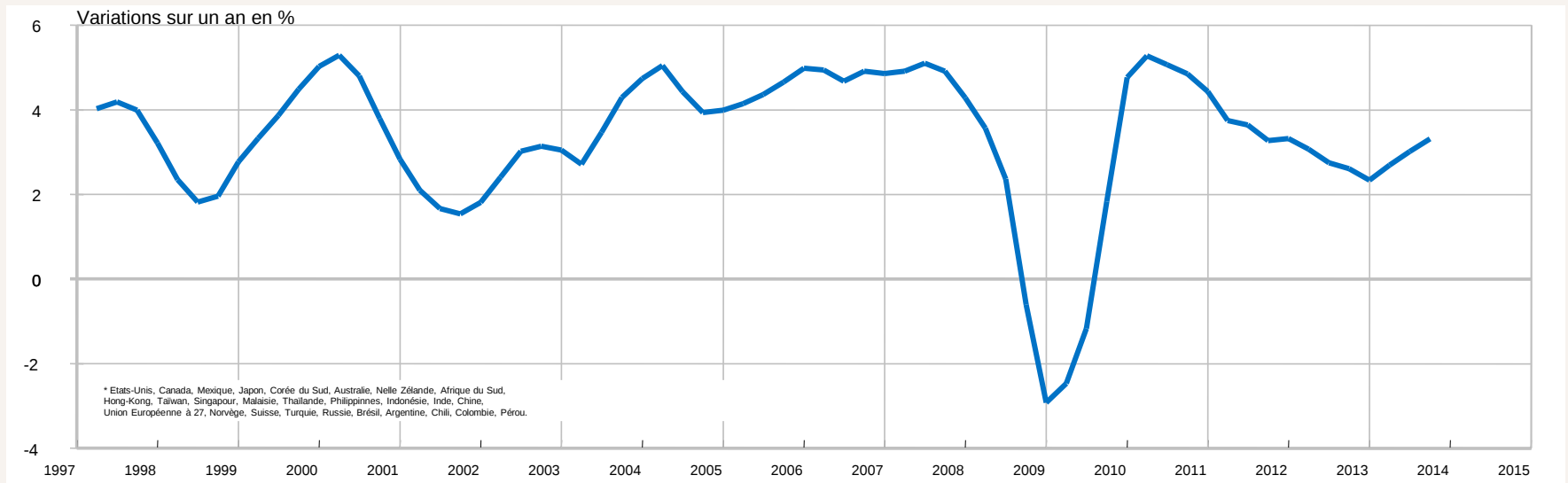
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Cyclope
European leading research Institute on commodity markets

May 2014

Is the « 2008 economic crisis » really over ?

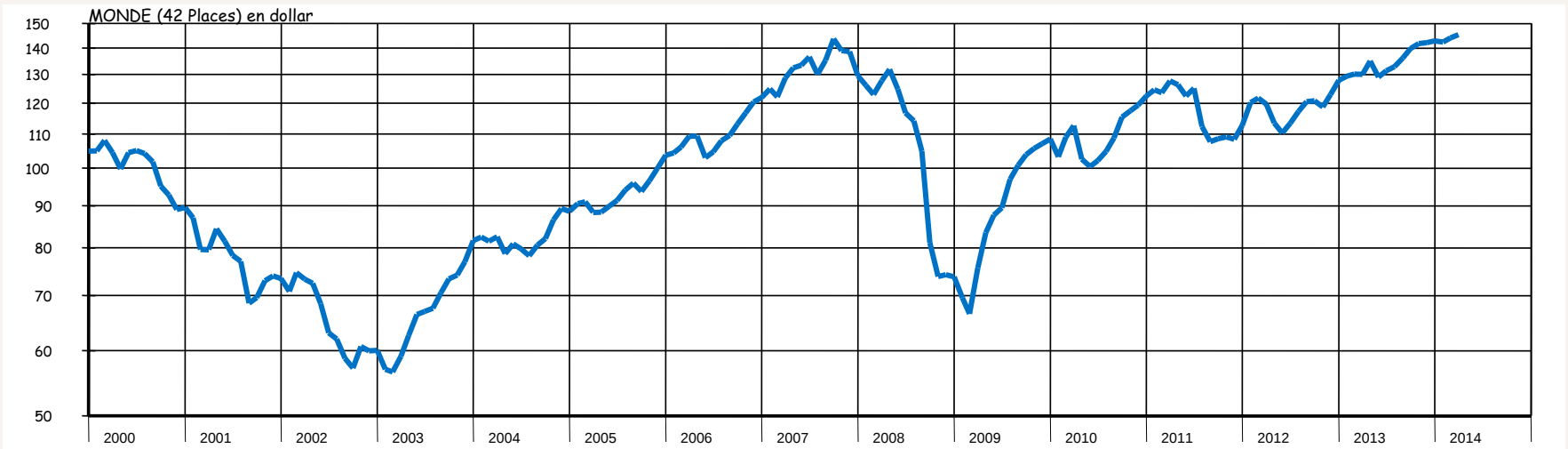
Croissance du PIB mondial * en volume



© Coe-Rexecode

World equity markets do think so

Indice boursier mondial (base 100 au 30.12.2005)

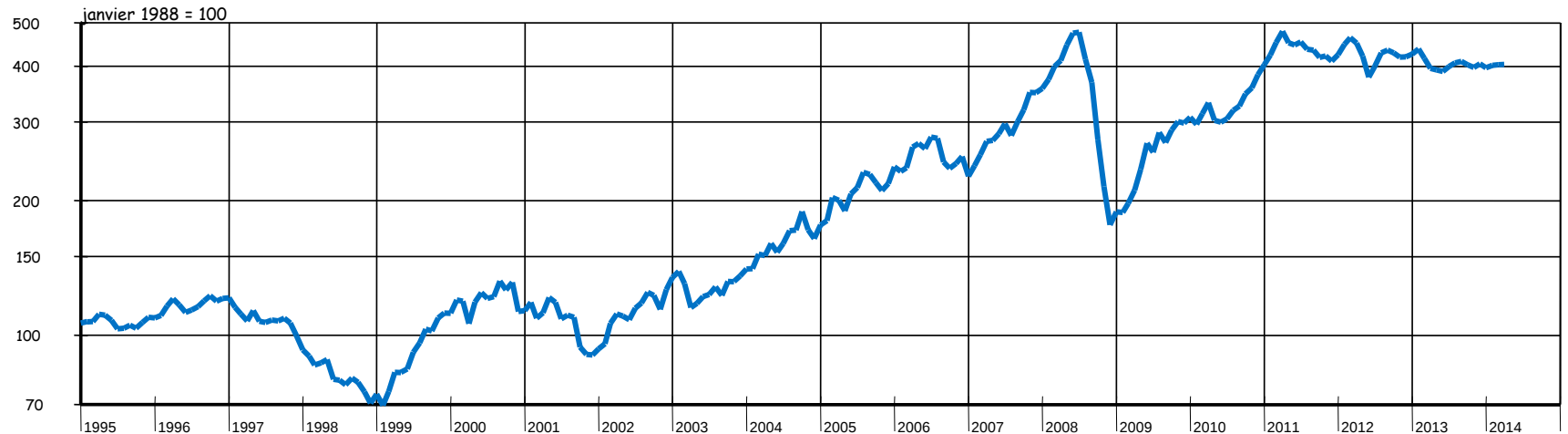


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And the same for world commodity markets

Ensemble y c. métaux précieux et pétrole

Indices Rexecode des cours des matières premières en \$

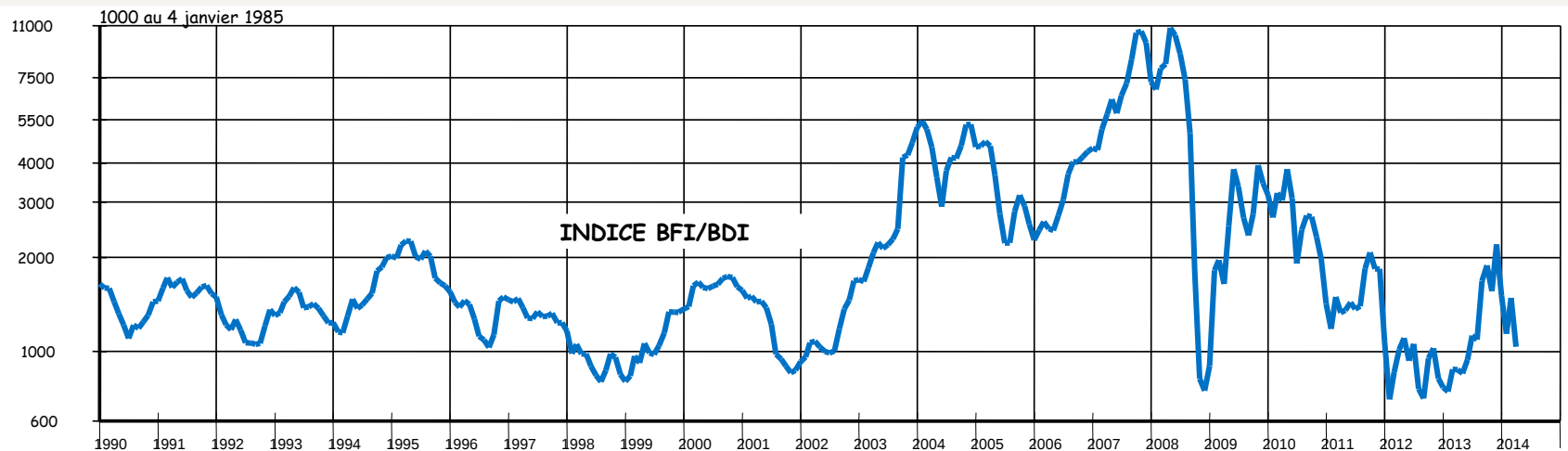


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With the exception of dry freight

Frêts maritimes (cargaisons sèches)

Cours des matières premières



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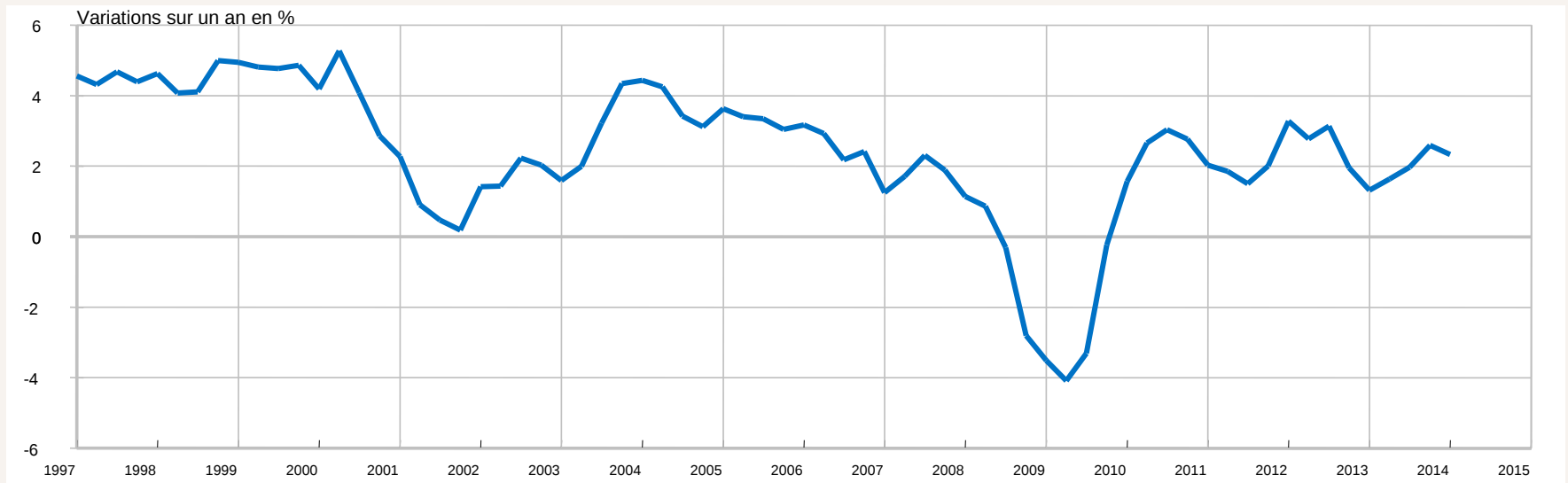
But you may have many doubts

- . For
 - . Eurozone
 - . Japan
 - . China
 - . India

and so many others

Ok for the US

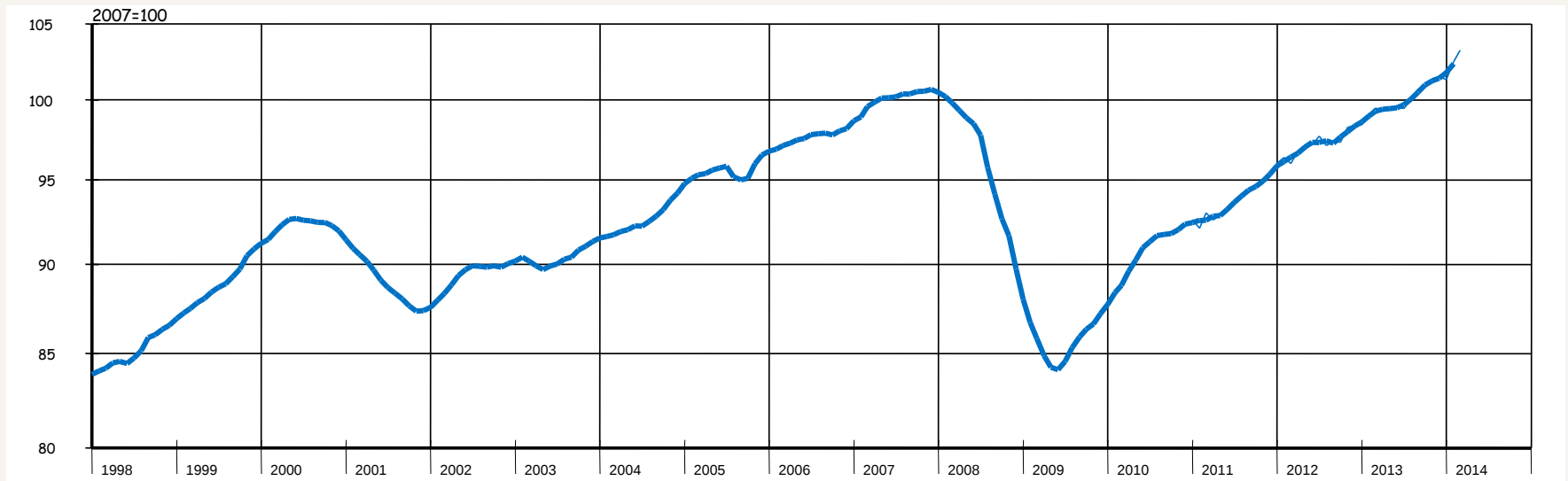
Etats-Unis : croissance du PIB en volume



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Industrial production is back above 2008

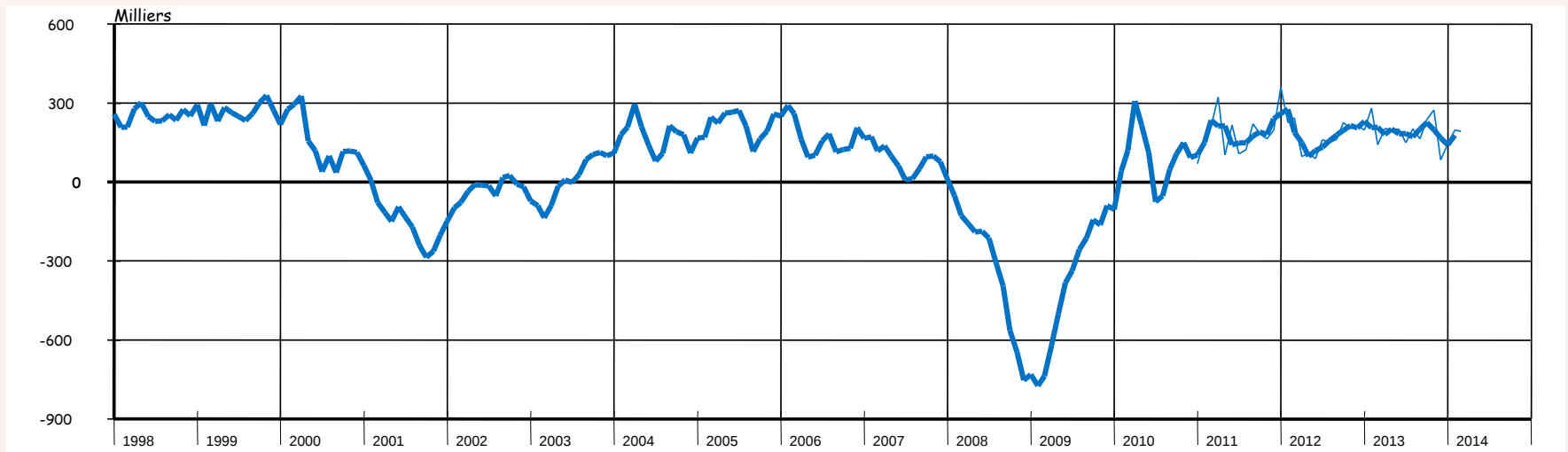
Etats-Unis : production industrielle



© Coe-Rexecode

And the economy is creating some jobs

Etats-Unis : créations d'emplois
Salariés du secteur non agricole

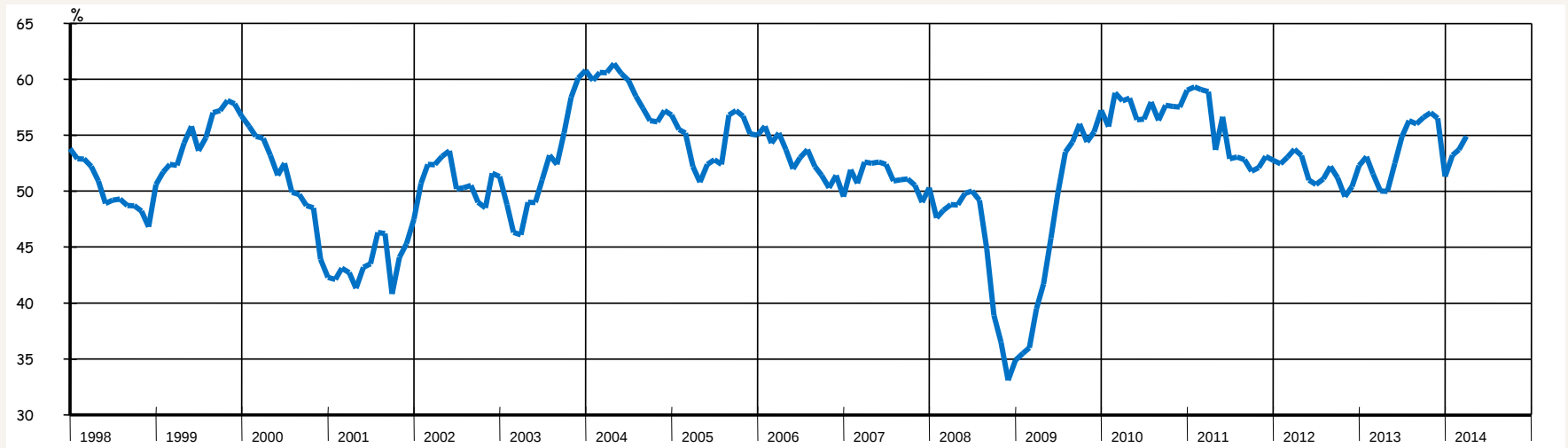


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But all this is a bit disappointing when you
Take the US energy revolution into account

Etats-Unis

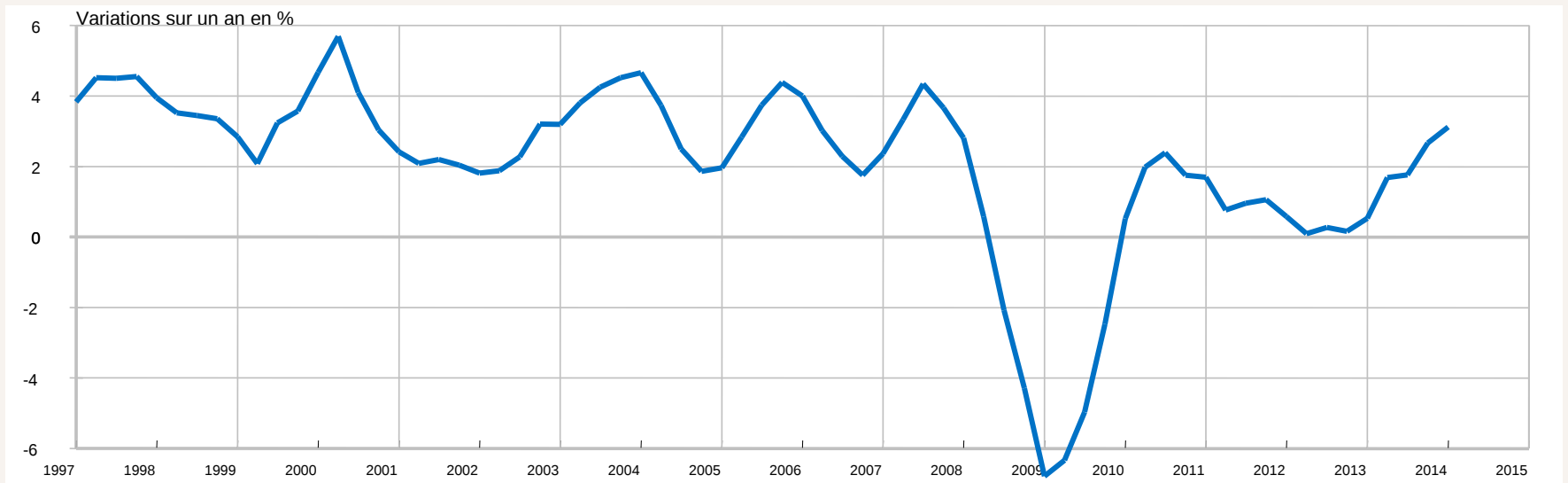
Enquête auprès des directeurs d'achat - ISM manufacturier



© Coe-Rexcode

The UK is in a better shape

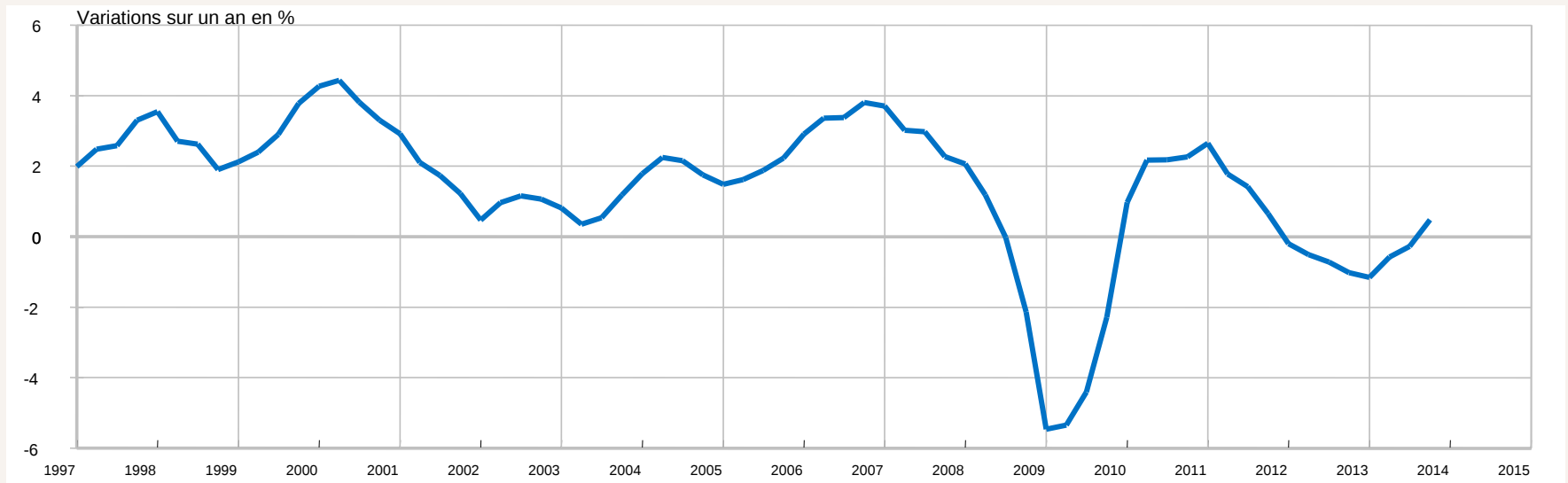
Royaume-Uni : croissance du PIB en volume



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But Eurozone is lagging behind

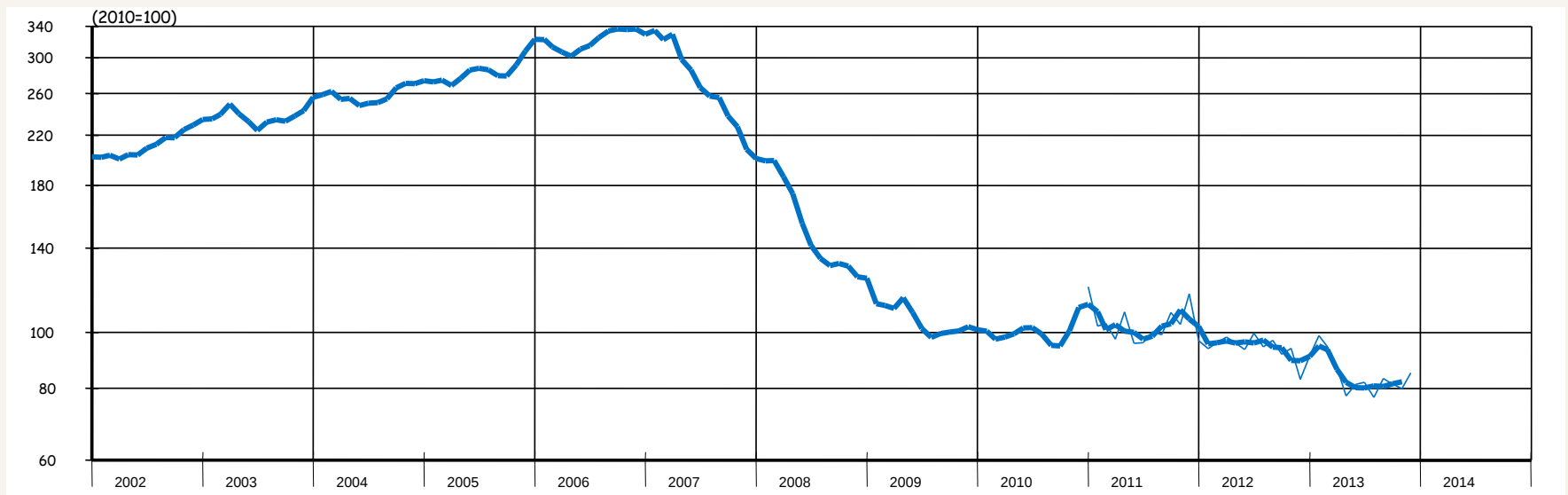
Zone euro : croissance du PIB en volume



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European housing is depressed

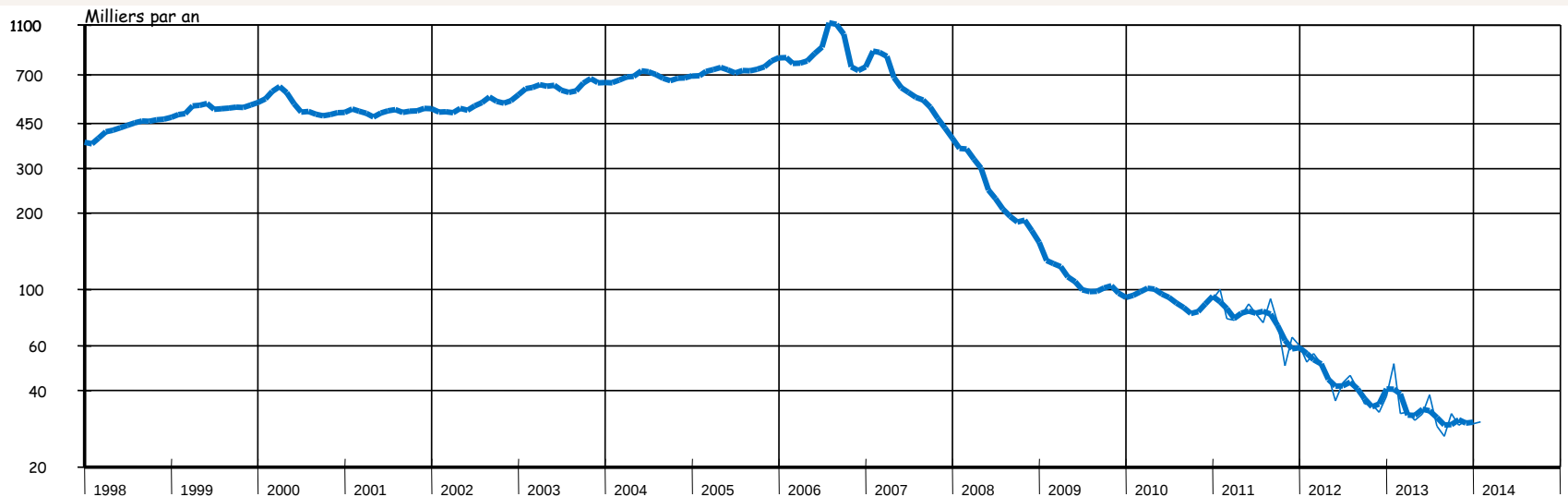
Zone euro : permis de construire résidentiels



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Spanish housing at its worst

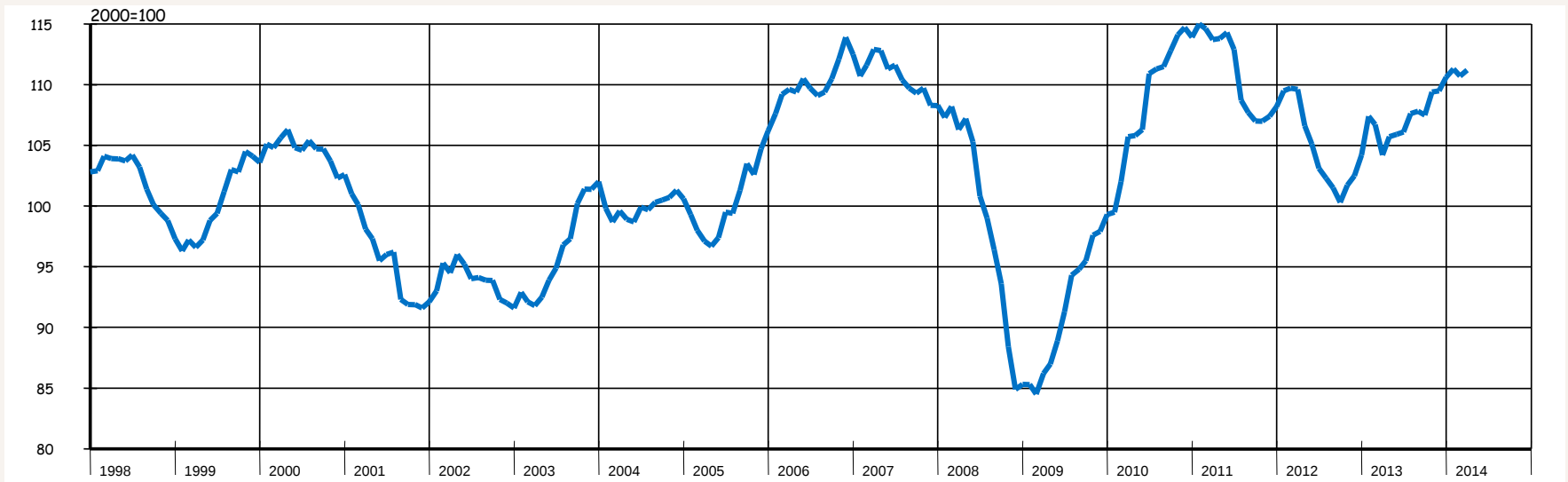
Espagne : logements autorisés



© Coe-Rexecode

The Germans are more upbeat

Allemagne : Enquêtes IFO - climat des affaires



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And the French think that the worst is coming

France : indicateur synthétique de confiance des ménages

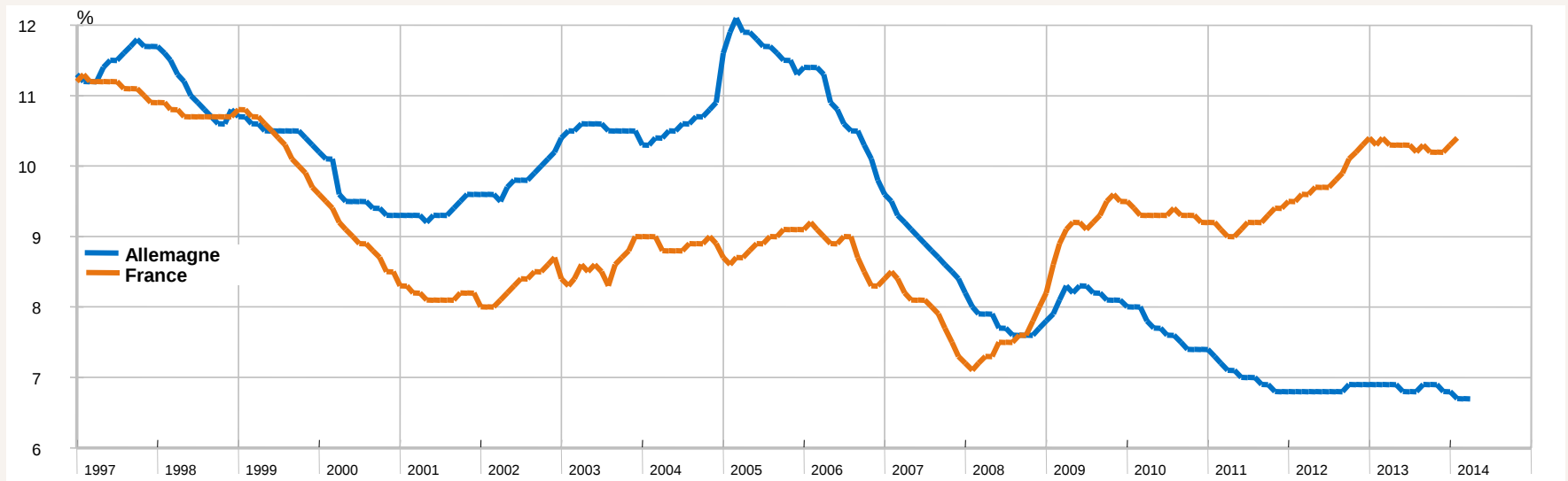
Indicateur synthétique de confiance des ménages avec une moyenne de 100
et un écart type de 10 pour la période 1987-2010



© Coe-Rexecode

And they may be right if you look at unemployment

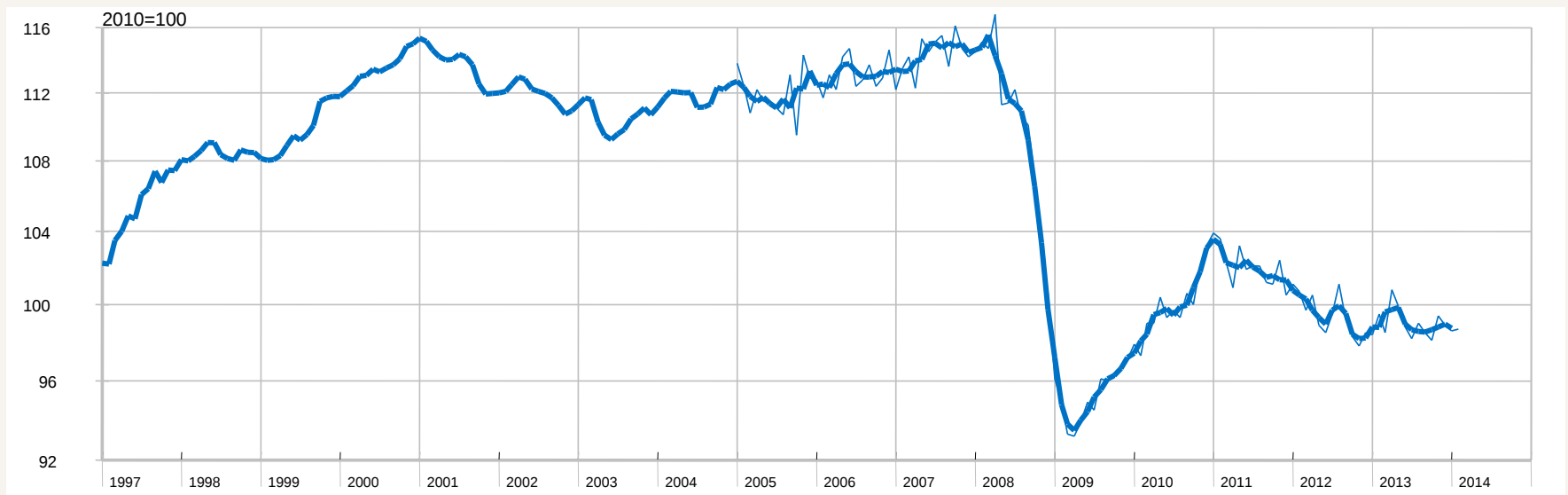
Taux de chômage



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And French industrial production

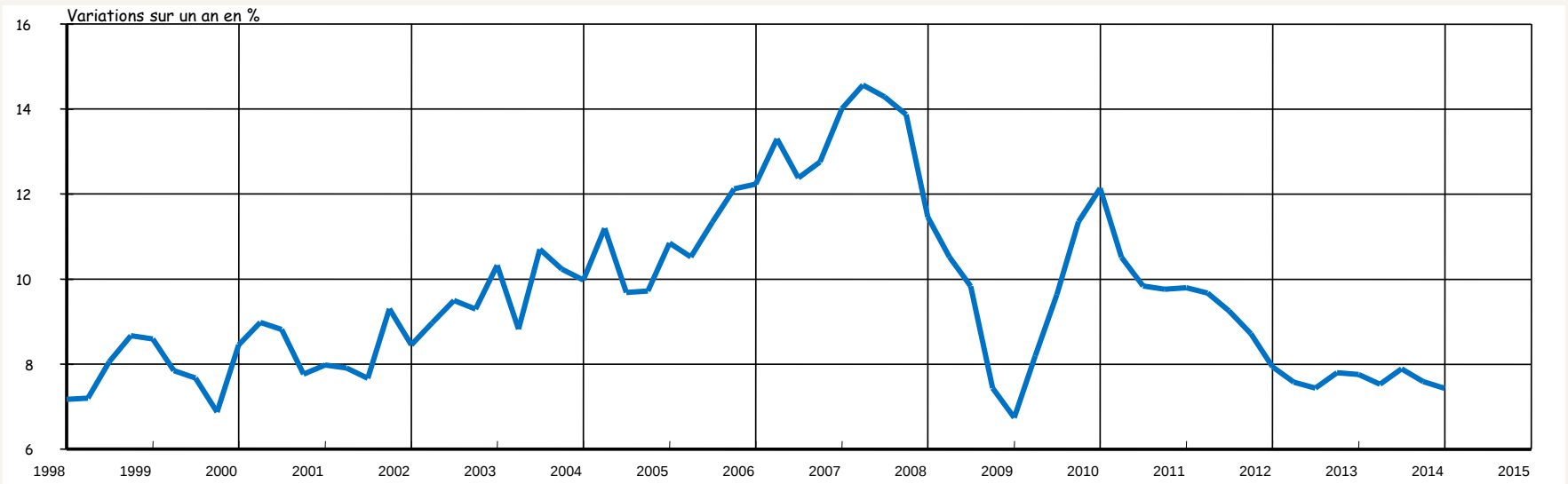
France : production industrielle



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Among emerging countries China is our biggest worry

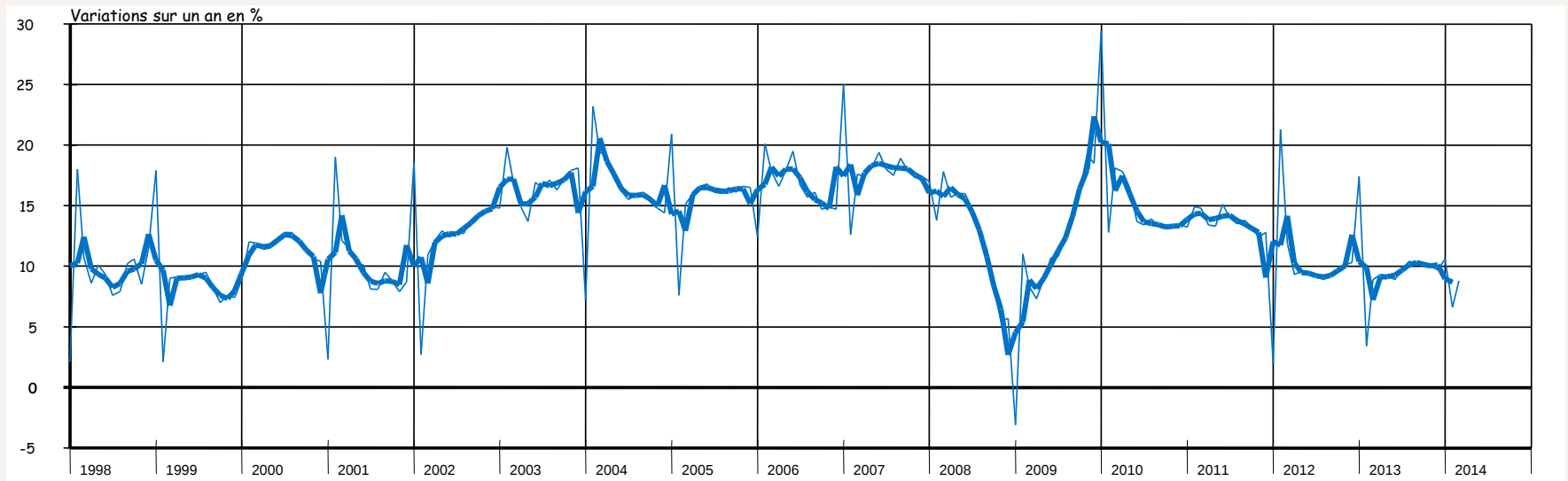
Chine : croissance du PIB en volume



© Coe-Rexecode

Would a Chinese « soft landing » have a sense ?

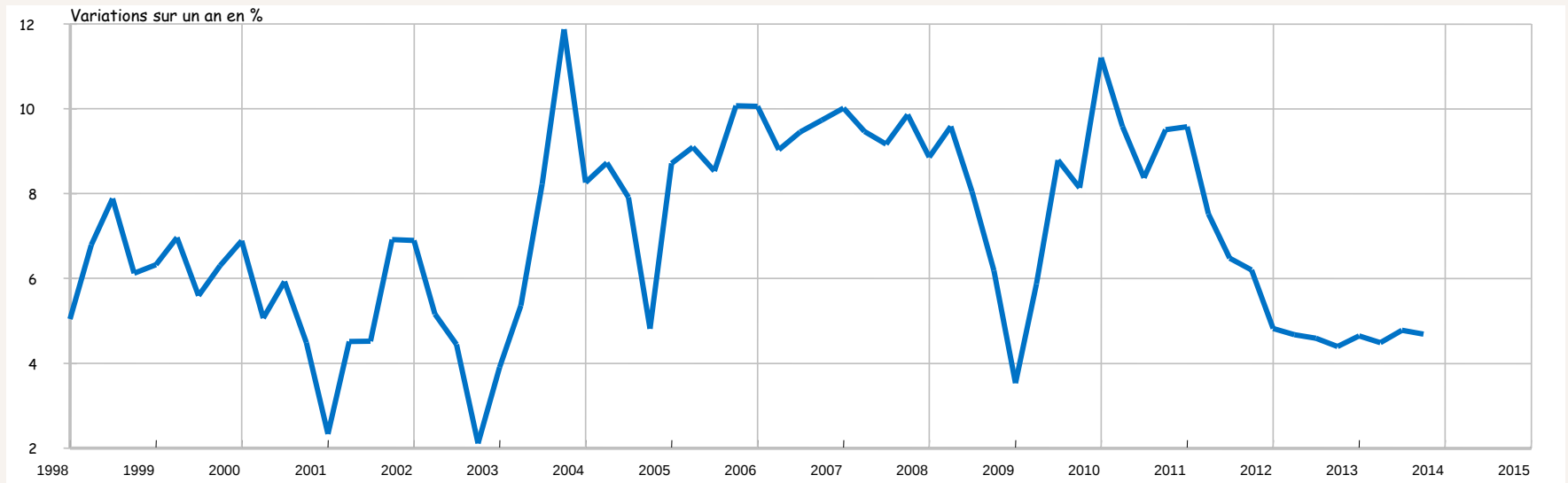
Chine : croissance de la production industrielle



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India in the midst of its elections

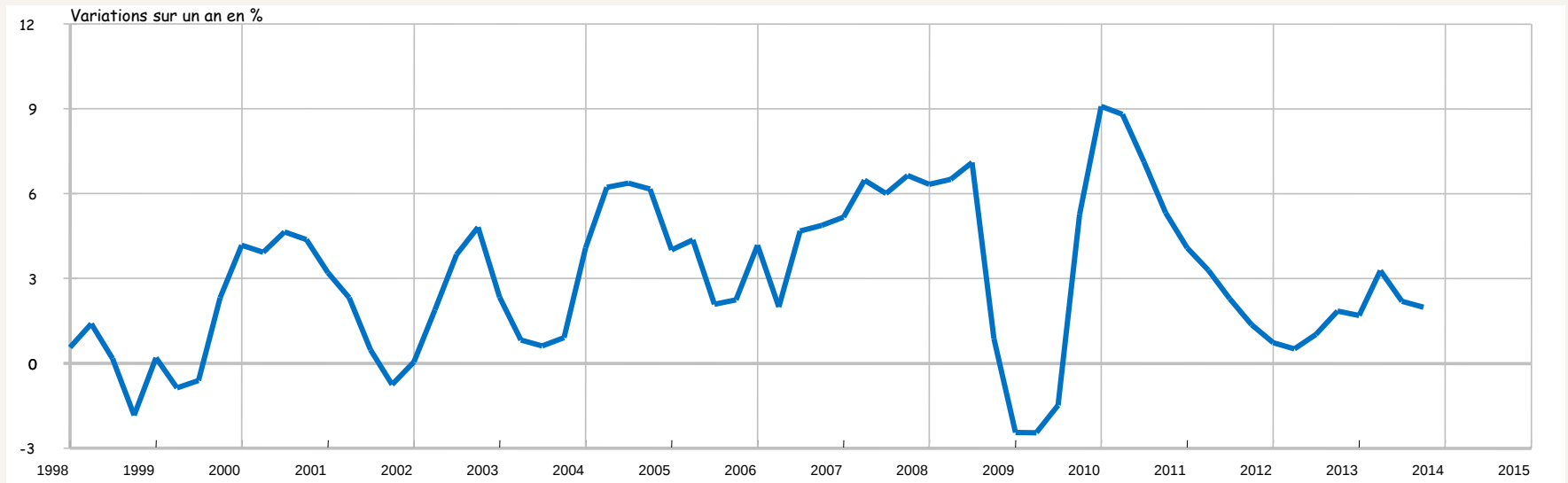
Inde : croissance du PIB en volume



© Coe-Rexecode

And Brazil before its elections

Brésil : croissance du PIB en volume



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The world is still in the « 2008 crisis"

. Advanced countries are slowly getting out of the crisis

US + 2.7

UK + 2.5

Japan + 1

Euroland + 0.8

. *While emerging countries are slowing*

China + 8

India + 5

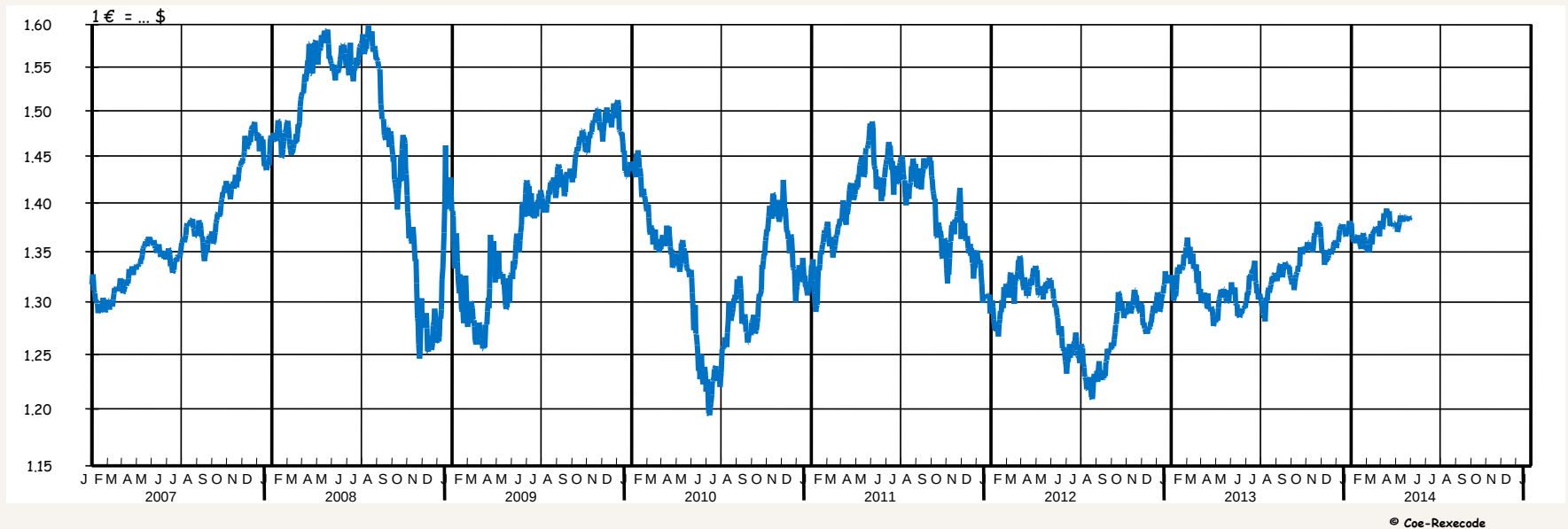
Brazil + 2

Russia 0

And the world : + 3 / 3.5

And a big question about the dollar

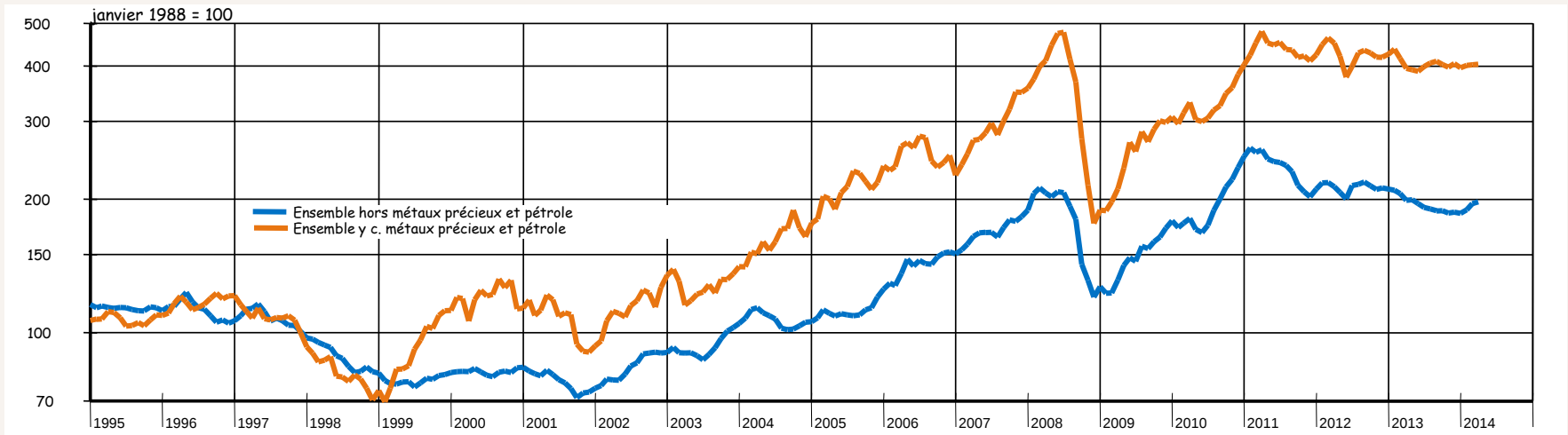
Cours de l'euro (1 euro = ... dollar)



World commodity markets look pretty stable

Indices globaux

Indices Coe-Rexecode des cours des matières premières en \$

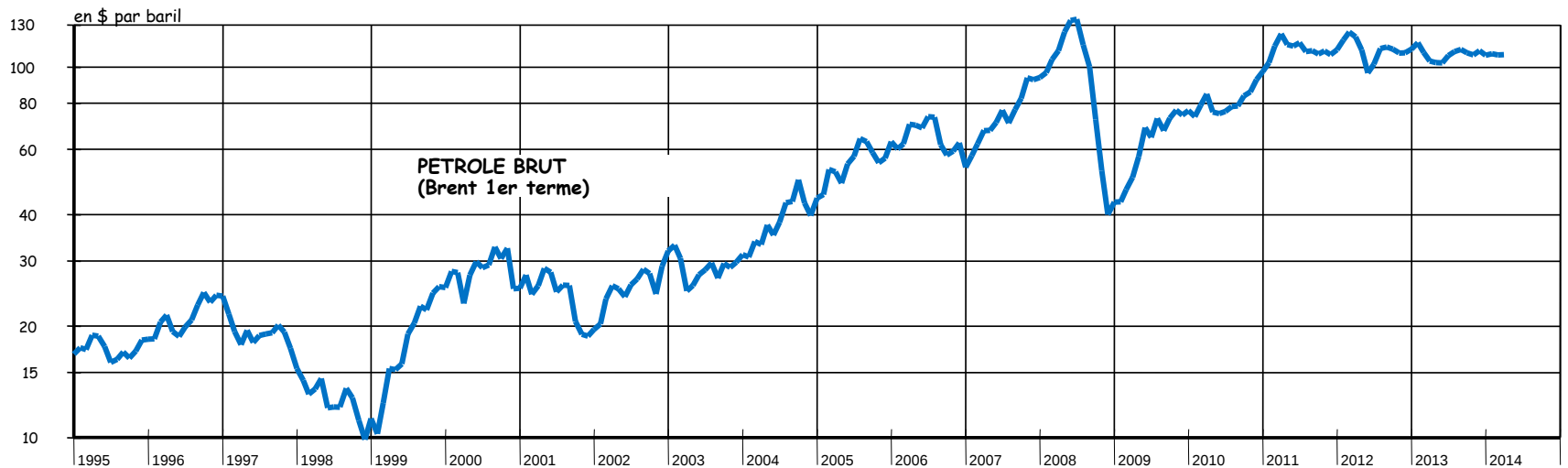


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And this is true for oil

Pétrole brut

Cours des matières premières

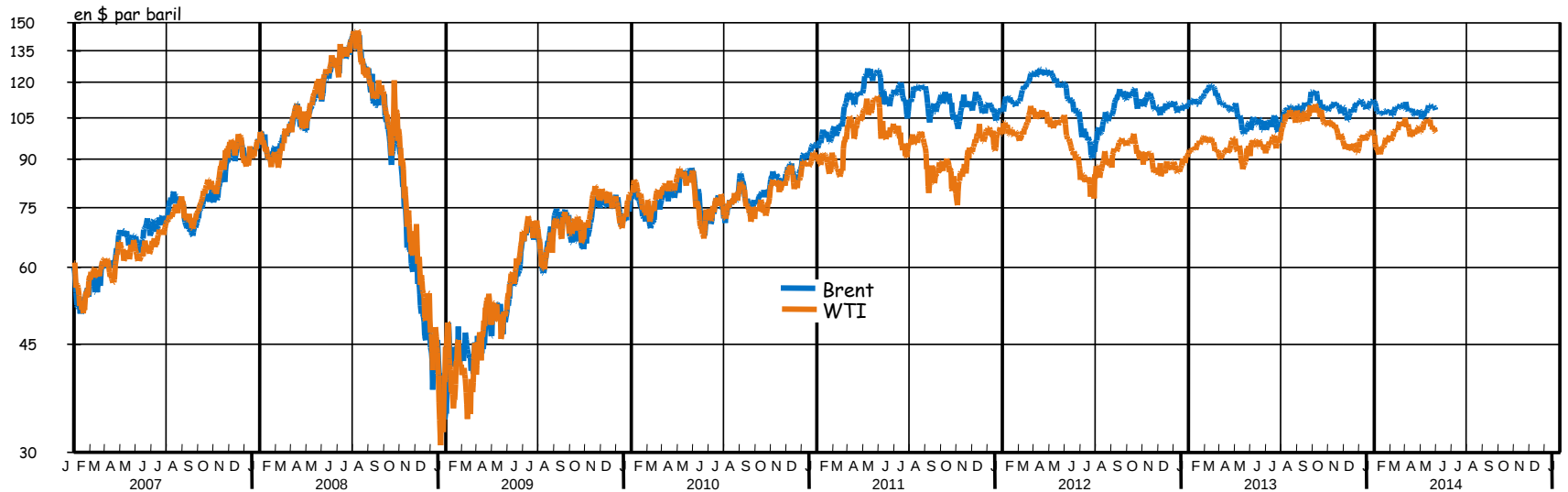


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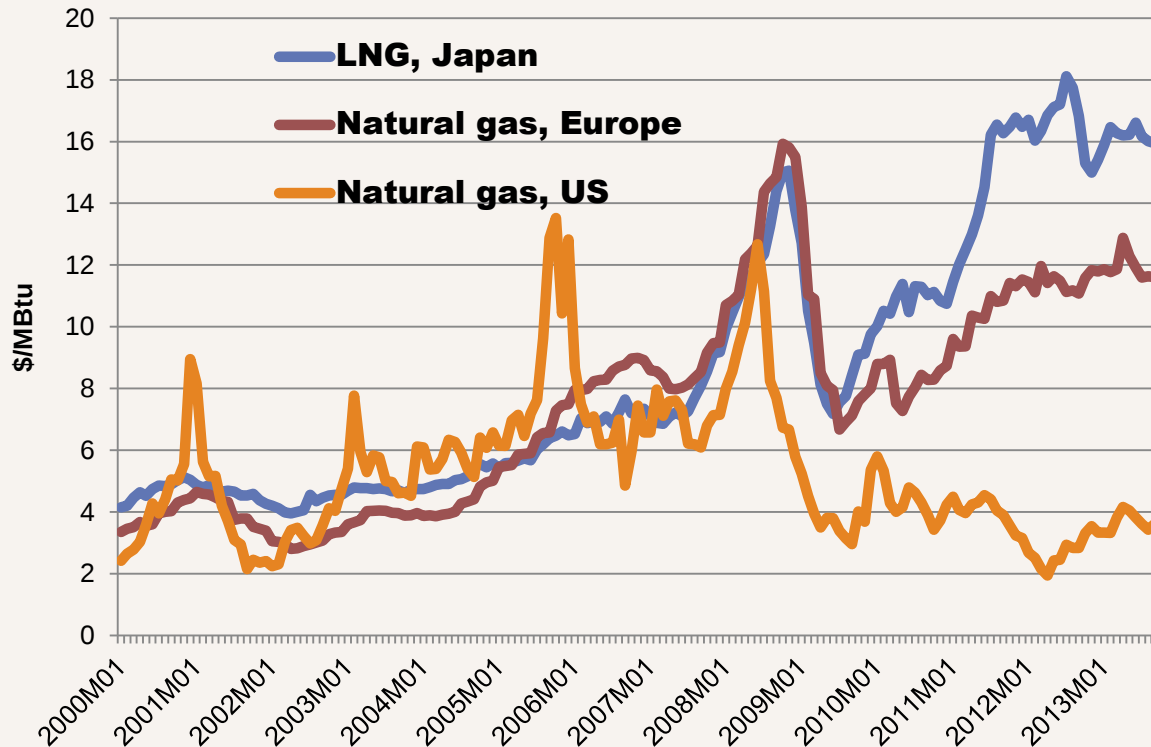
Even if you take into account the Brent – WTI spread

Pétrole brut

Cours des matières premières



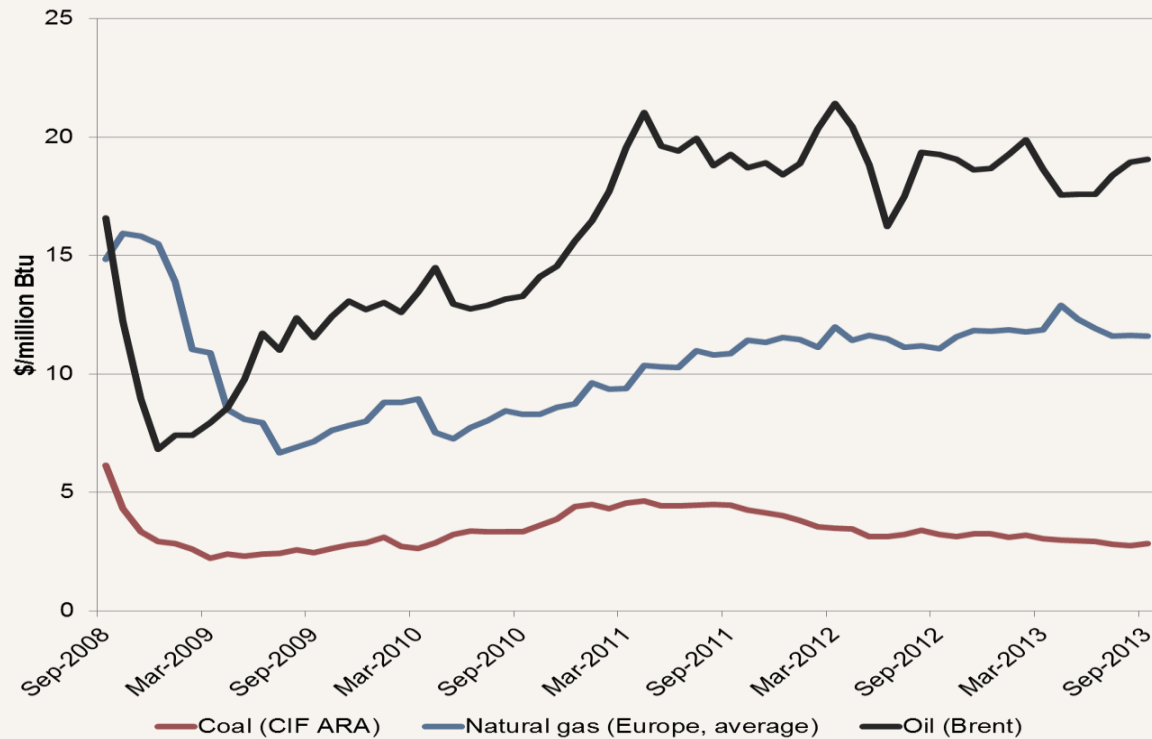
But the real story is on the US gas market



Source: World Bank, 2013

US gas prices have been reduced by two-thirds since 2008. They are three times lower than European prices

And in Europe coal is the most competitive source of energy



Source: World Bank, EIA, ICR, 2013

Coal is three/four times cheaper than natural gas

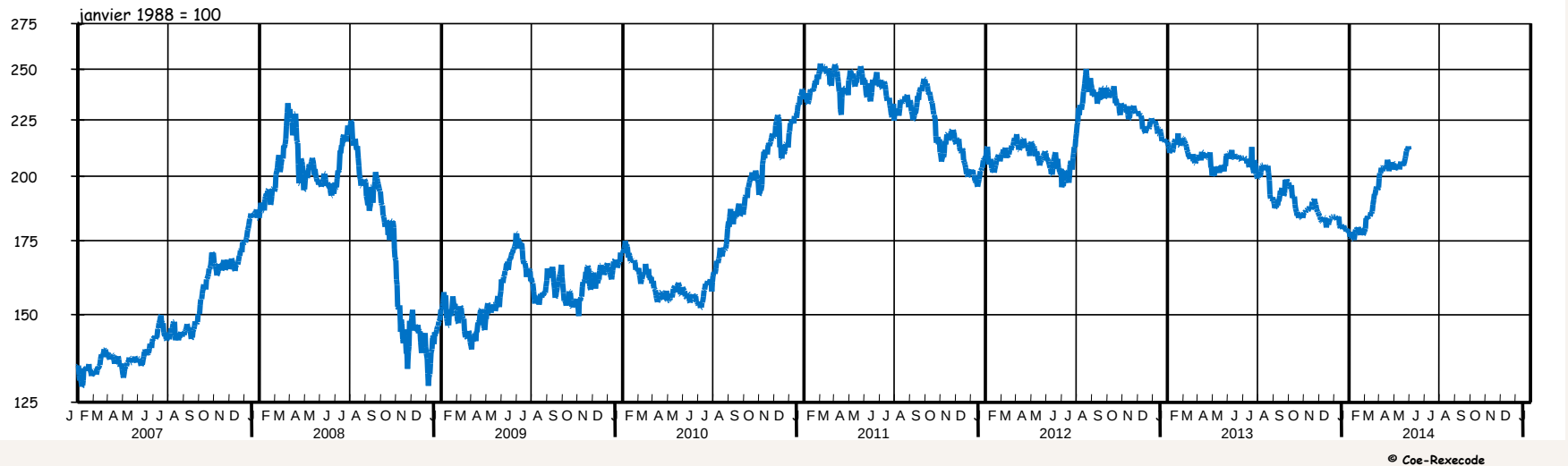
In fact markets are fairly anxious :

- . climate
- . *geopolitics*
- . *economy*

Climate and its consequences for world food markets

Produits alimentaires

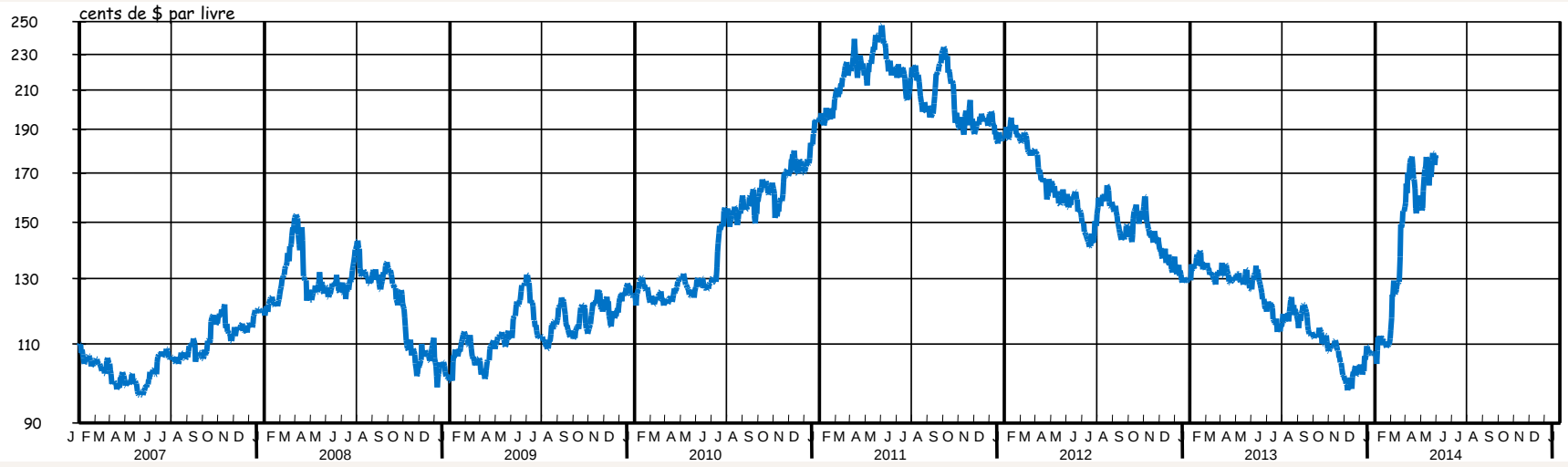
Indices Coe-Rexecode des cours des matières premières en \$



A drought in Brazil and the surge of coffee prices

Café

Cours des matières premières

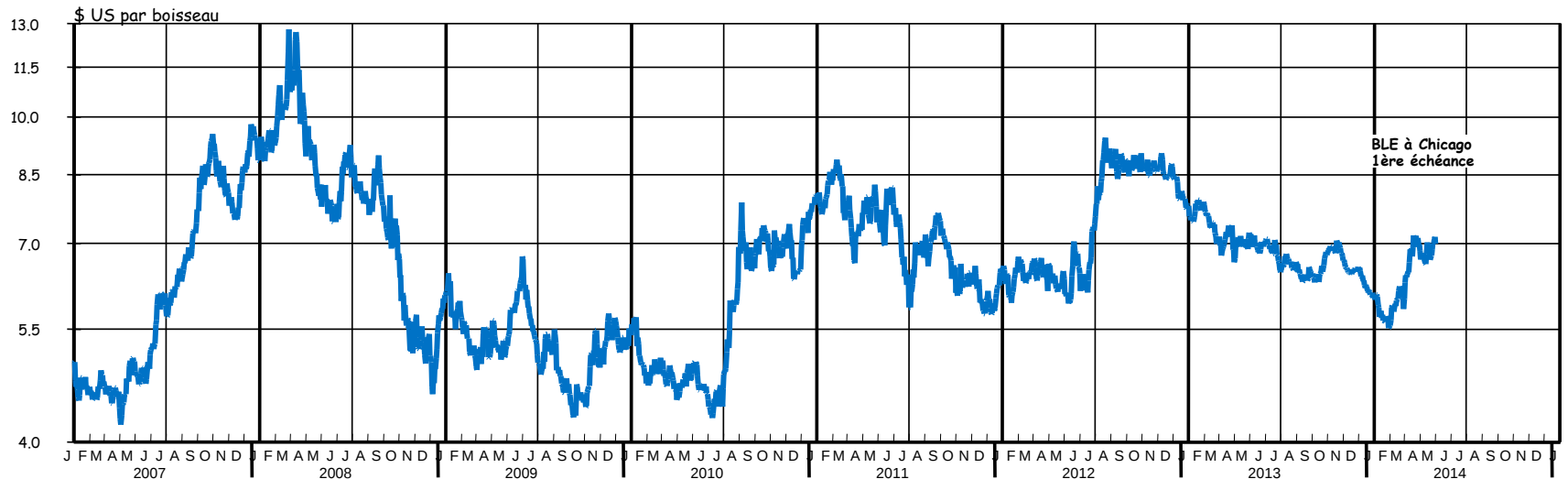


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Winter in North America and the price of wheat

Blé

Cours des matières premières



© Coe-Rexecode

But the worst is to come :

- . short term : El Niño and its consequences for
 - grains (Australia)
 - rice (Asia)
 - palme oil (Malaysia - Indonesia)
 - meat and dairy* (Australia, NZ)
- . *long term : climate change*

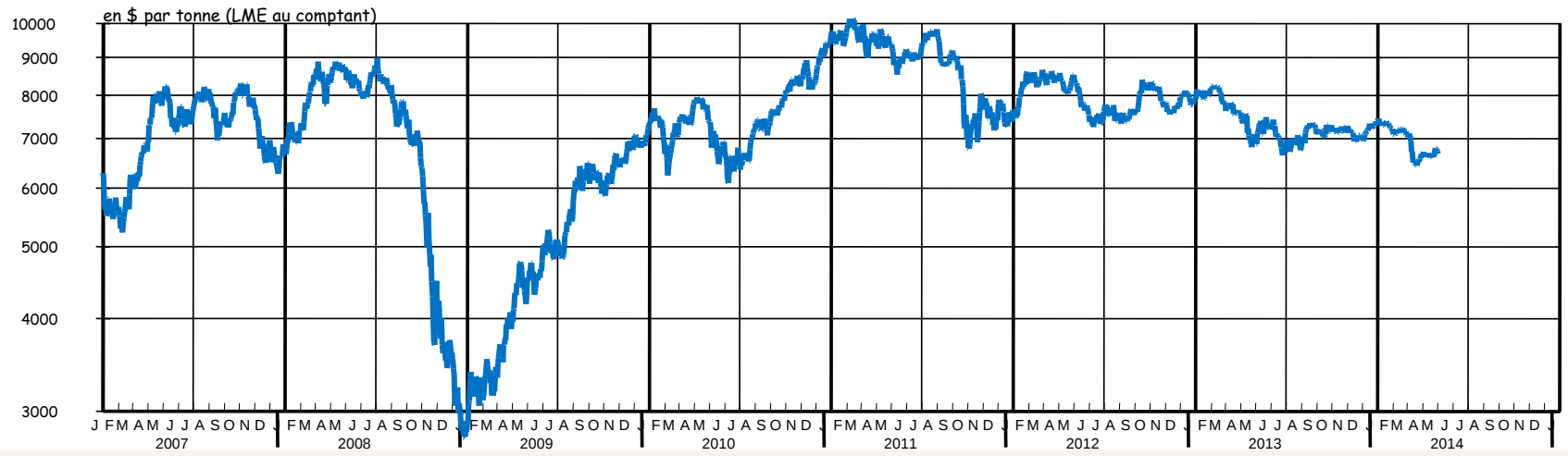
Geopolitics :

- . Ukraine and its impact on
 - . gas and energy markets :
30 % of European natural gas imports
 - . grains
Black sea is the world's second exporting region :
35 million tons of wheat
27 million tons of coarse grains
10 million tons of oil seeds
- . Middle East
- . Indonesia and its minerals embargo

The main economic worry is of course Chinese and
Copper is a good indicator

Métaux communs : cuivre

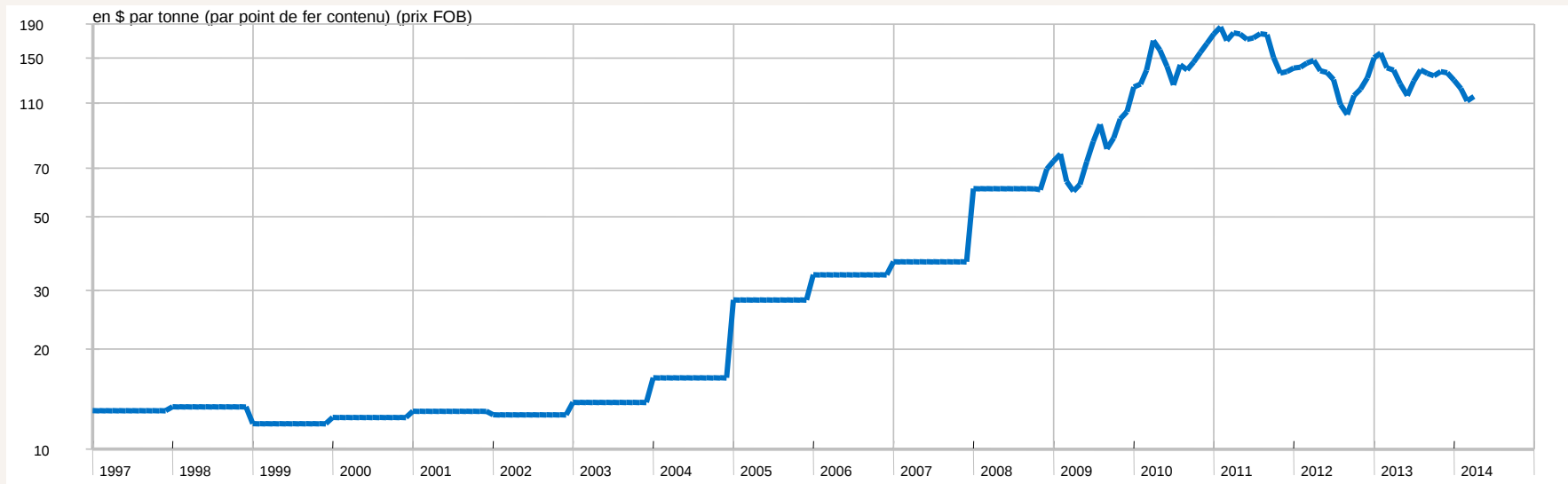
Cours des matières premières



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As well as iron ore

Minerai de fer



© Coe-Rexecode

The 2008 economic crisis is not yet over

- . in the US :
 - . the end of « quantitative easing »
 - . the fate of the dollar
- . in Europe and Japan
 - . deflation versus inflation
 - . a huge pile of debts
 - . the failure of European governance
- . in emerging countries
 - . the « Fragile Five »
 - . China's soft landing ?
 - . the commodity curse from Russia to Algeria

In the months to come, you should watch :

- . geopolitics from Ukraine to Syria
- . climate and El Nino
- . China of course
- . debts and deflation
- . but ... be positive : the third industrial revolution is still going on