

CYCLOPE

East Wind, West Wind Donald, Xi, Vladimir and the others World Economy and commodity markets perspectives

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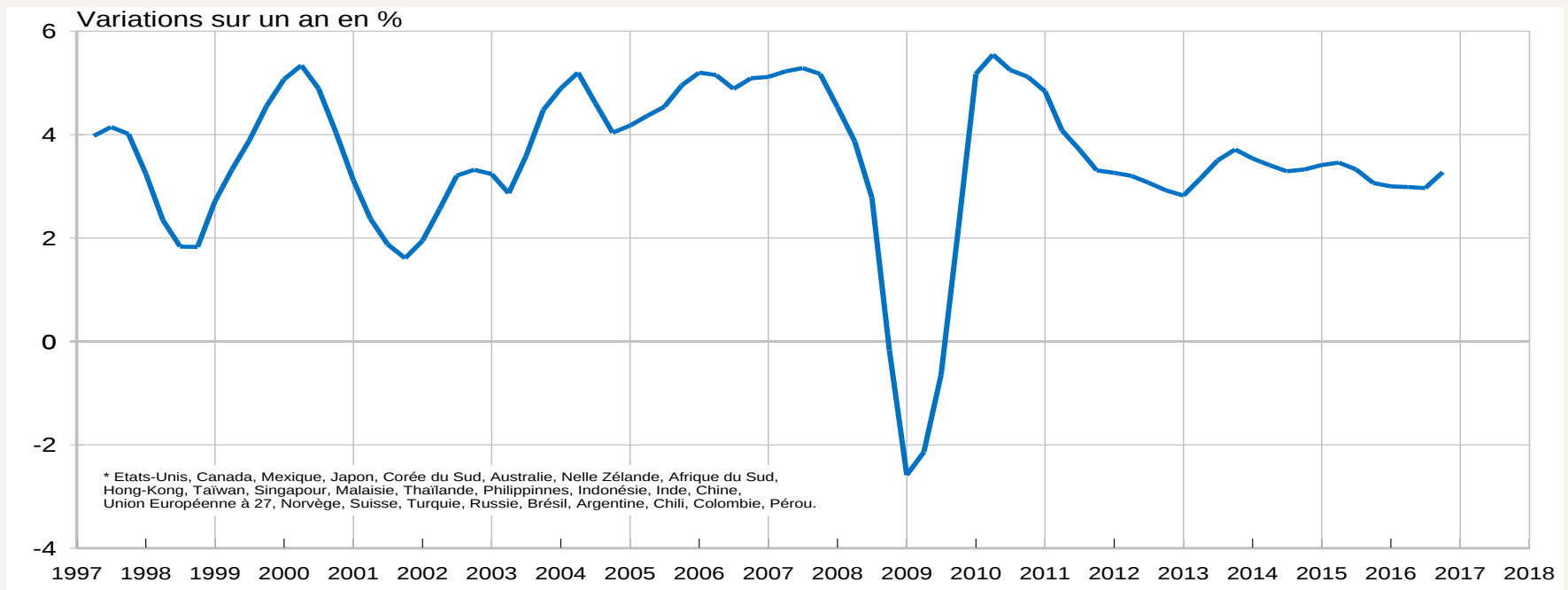
Cyclope
European leading research
Institute on commodity
markets

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World GDP is growing above 3 %

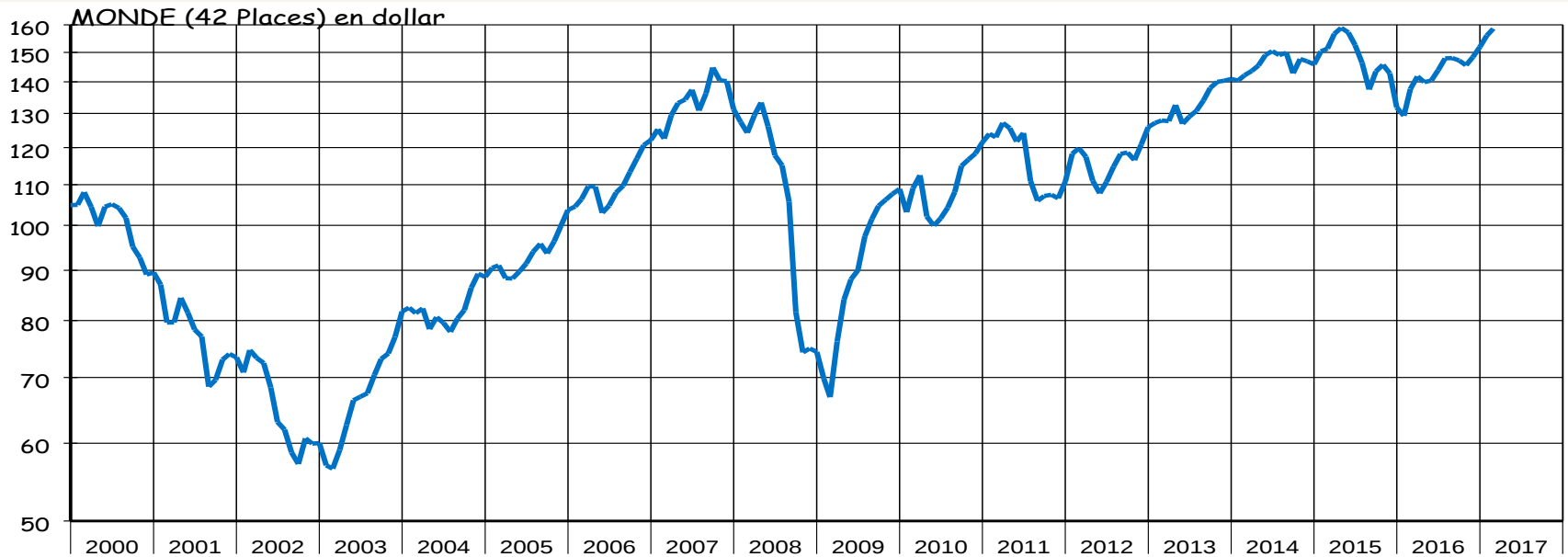
Croissance du PIB mondial * en volume



© Coe-Rexecode

Equity markets have almost never been so high

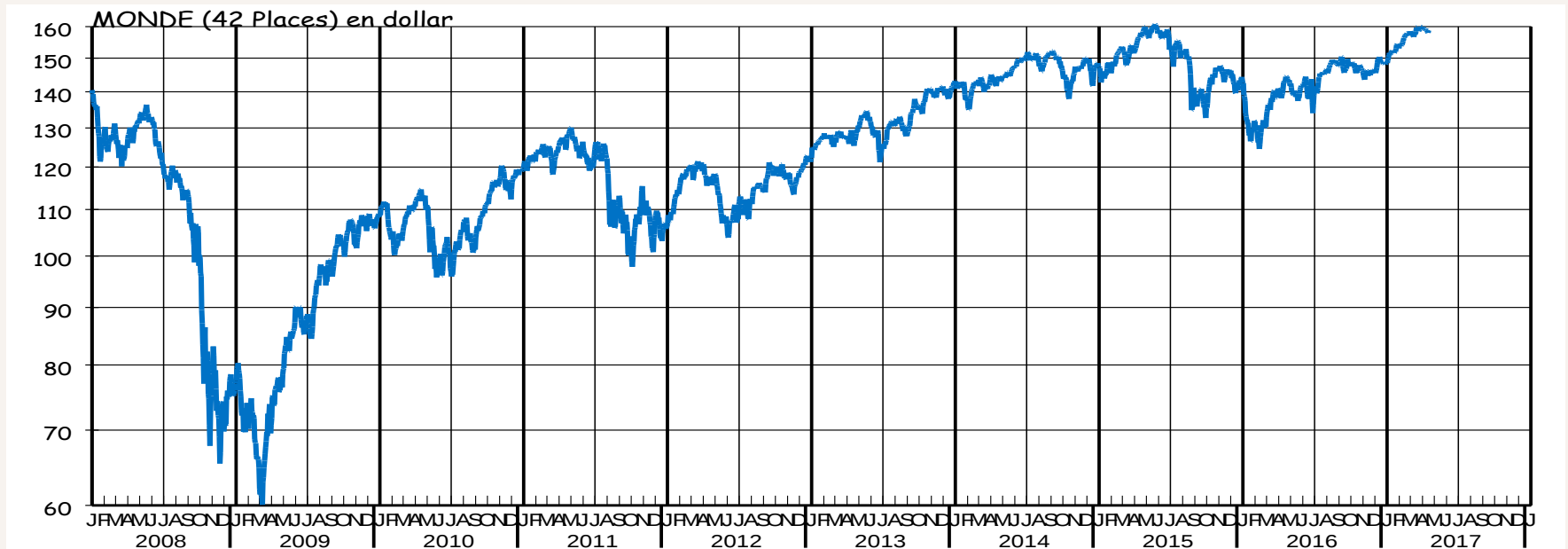
Indice boursier mondial (base 100 au 30.12.2005)



© Coe-Rexecode

And there has been indeed a « Trump effect »

Indice boursier mondial (base 100 au 30.12.2005)

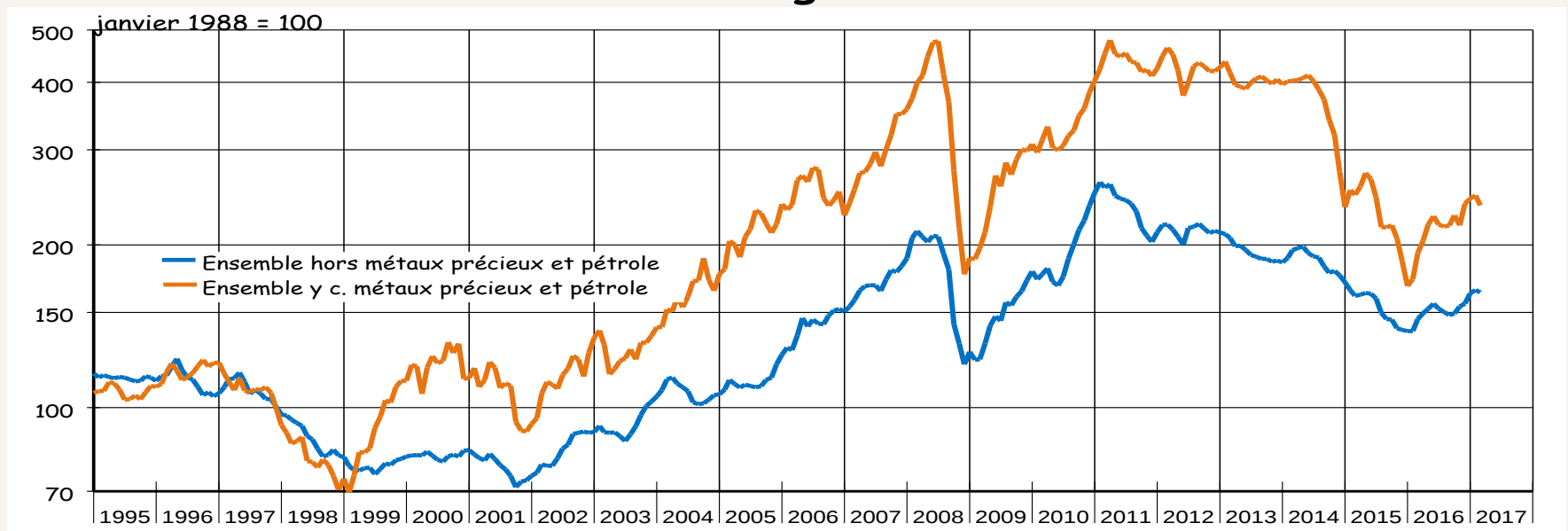


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World commodity markets have moved slightly upwards

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

Indices globaux

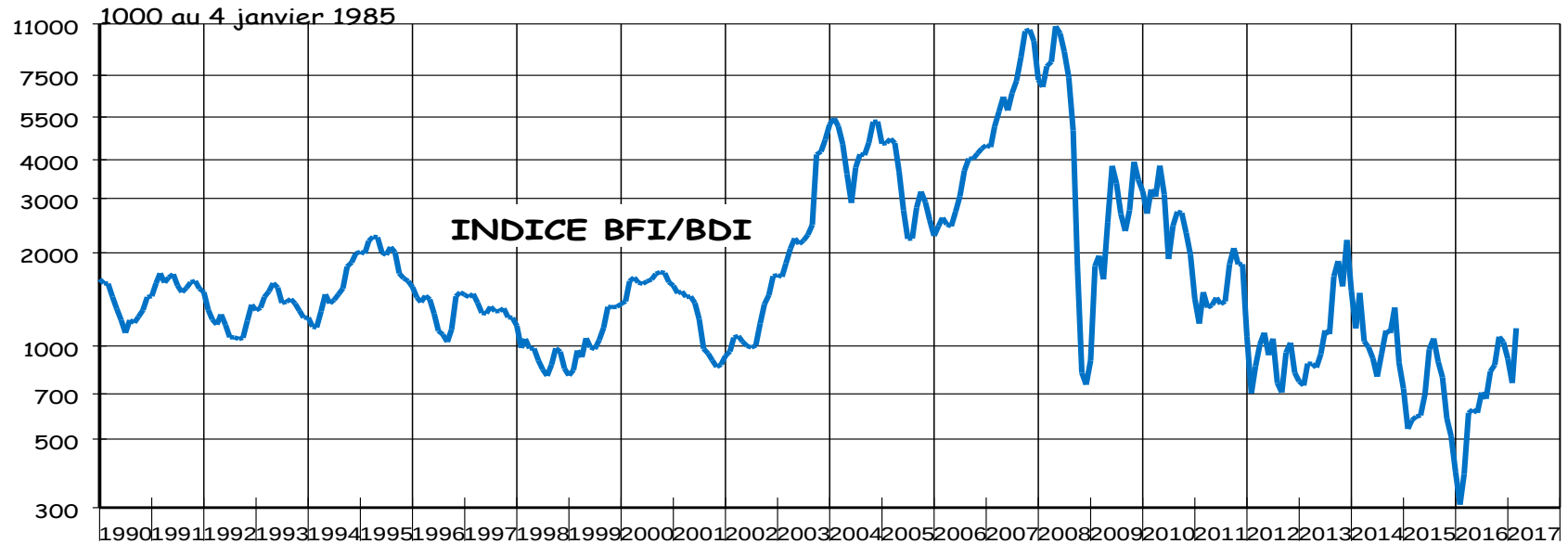


© Coe-Rexecode

And for maritime freight, the Baltic has
hardly recovered

Cours des matières premières

Frêts maritimes (carqaisons sèches)



© Coe-Rexecode

East Wind, West Wind

A novel by Pearl S. Buck (1930)

The subtitle of CyclOpe report 2017 on world commodity markets

East Wind

China and Xi Jin Ping

Russia and Vladimir Putin

West Wind

US and Donald Trump

The implication of the « great game » on

- . world economy

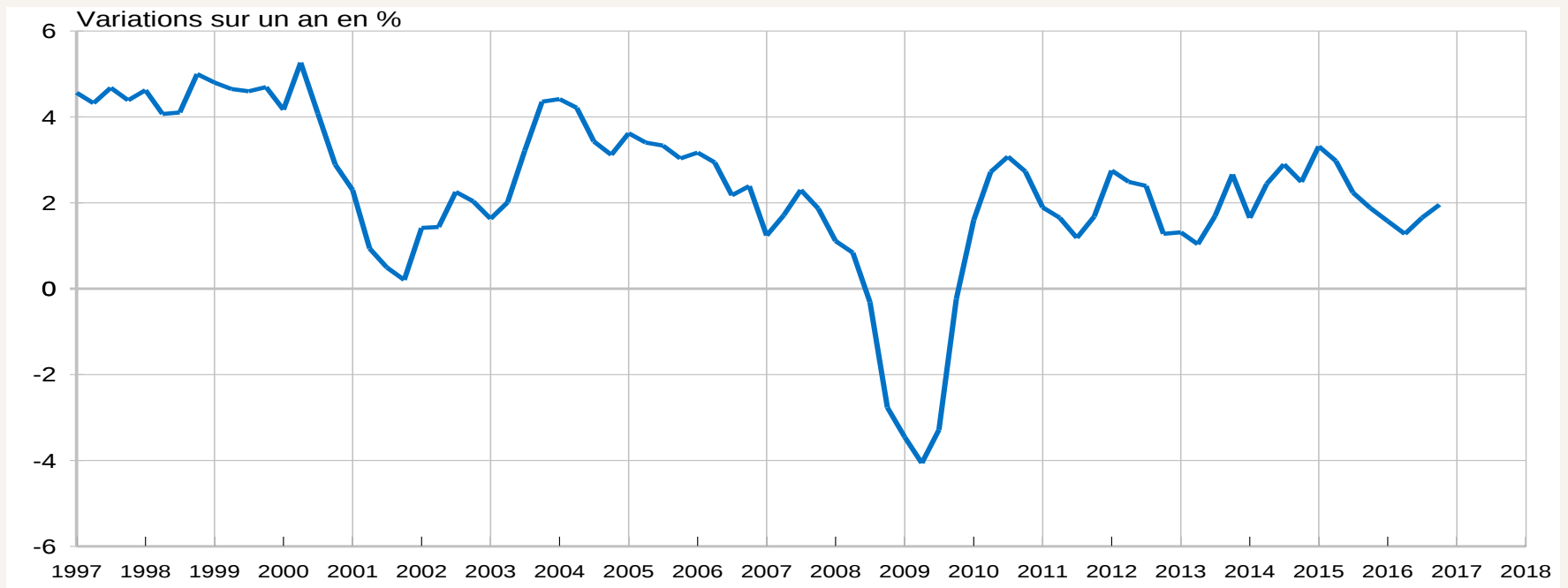
- . commodity markets

Advanced economies :

- US : the Trump effect
- Europe : post Brexit and so many elections
- Japan : zero growth again

A rebounding US economy

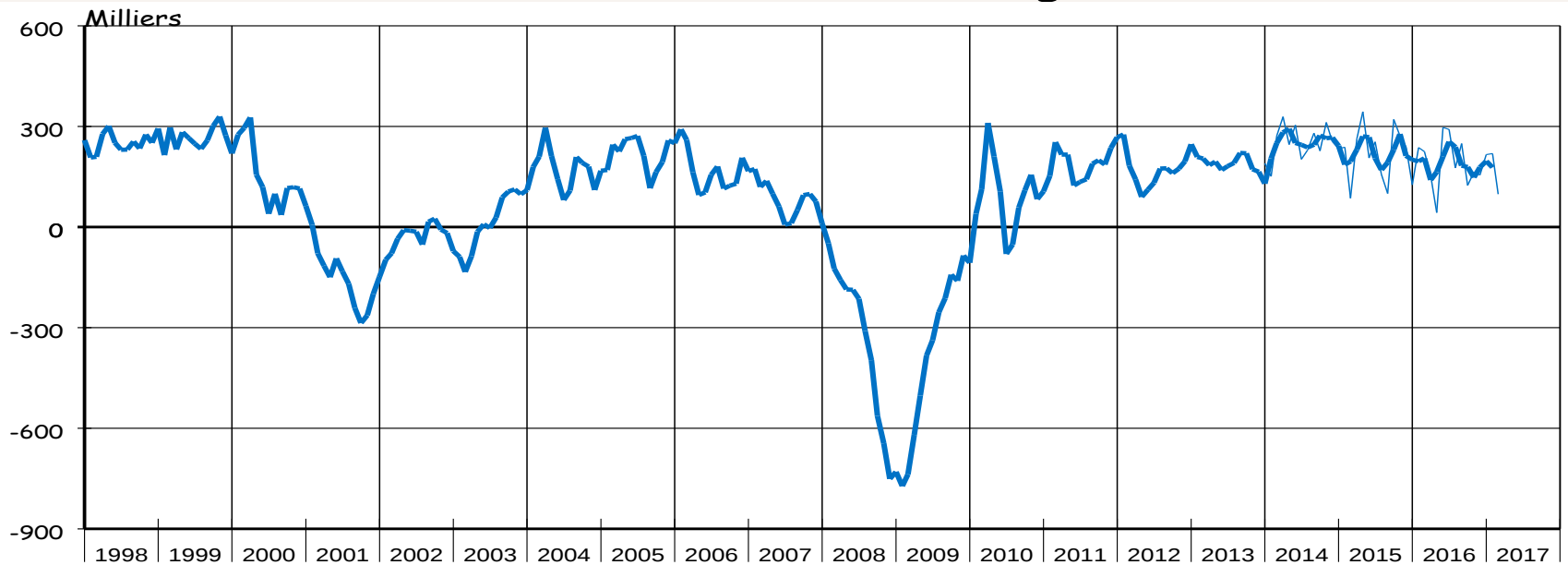
Etats-Unis : croissance du PIB en volume



© Coe-Rexecode

Creating jobs

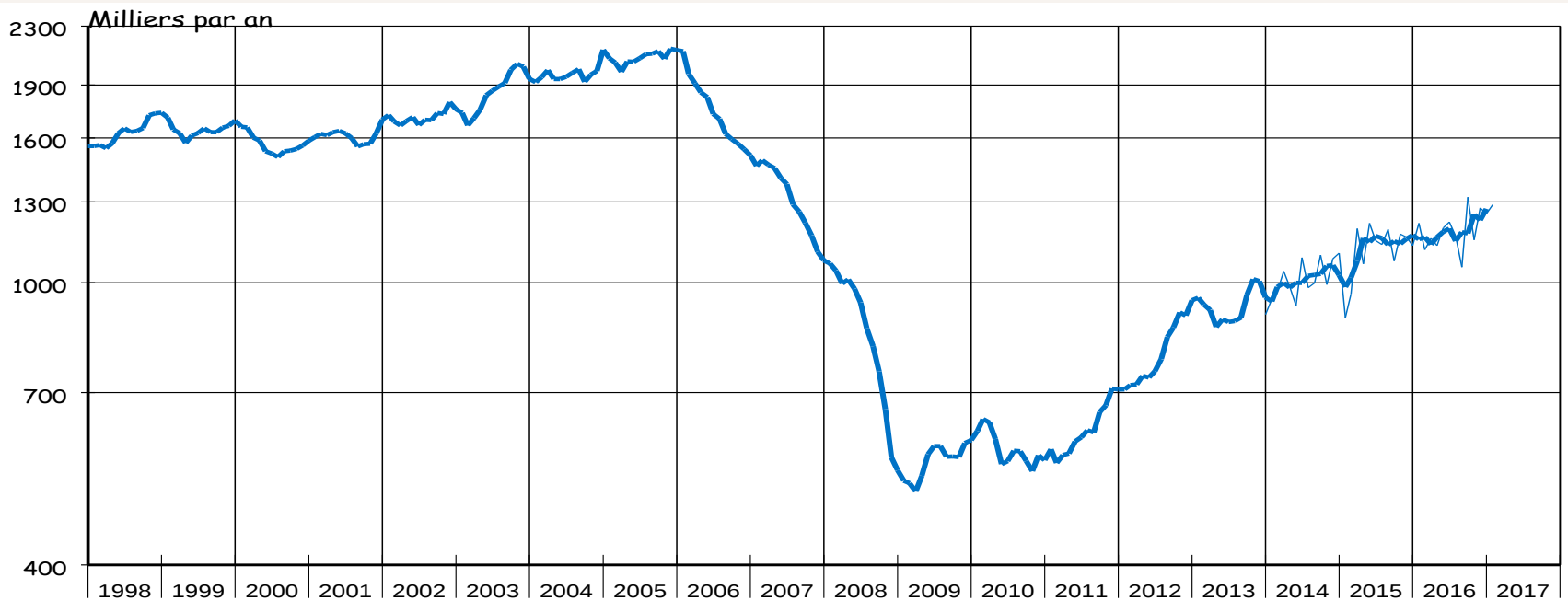
Etats-Unis : créations d'emplois Salariés du secteur non agricole



© Coe-Rexecode

The housing market is almost back to normal

Etats-Unis : mises en chantier de logements

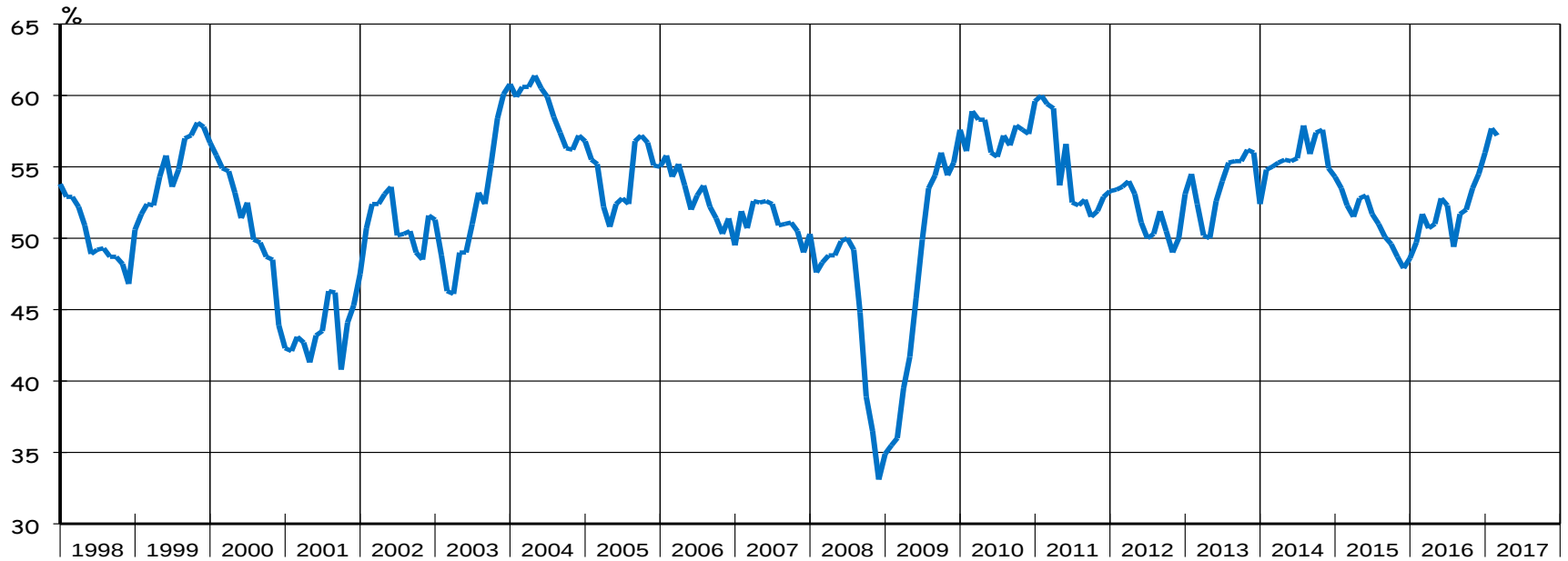


© Coe-Rexecode

And an extraordinary surge in business optimism

Etats-Unis

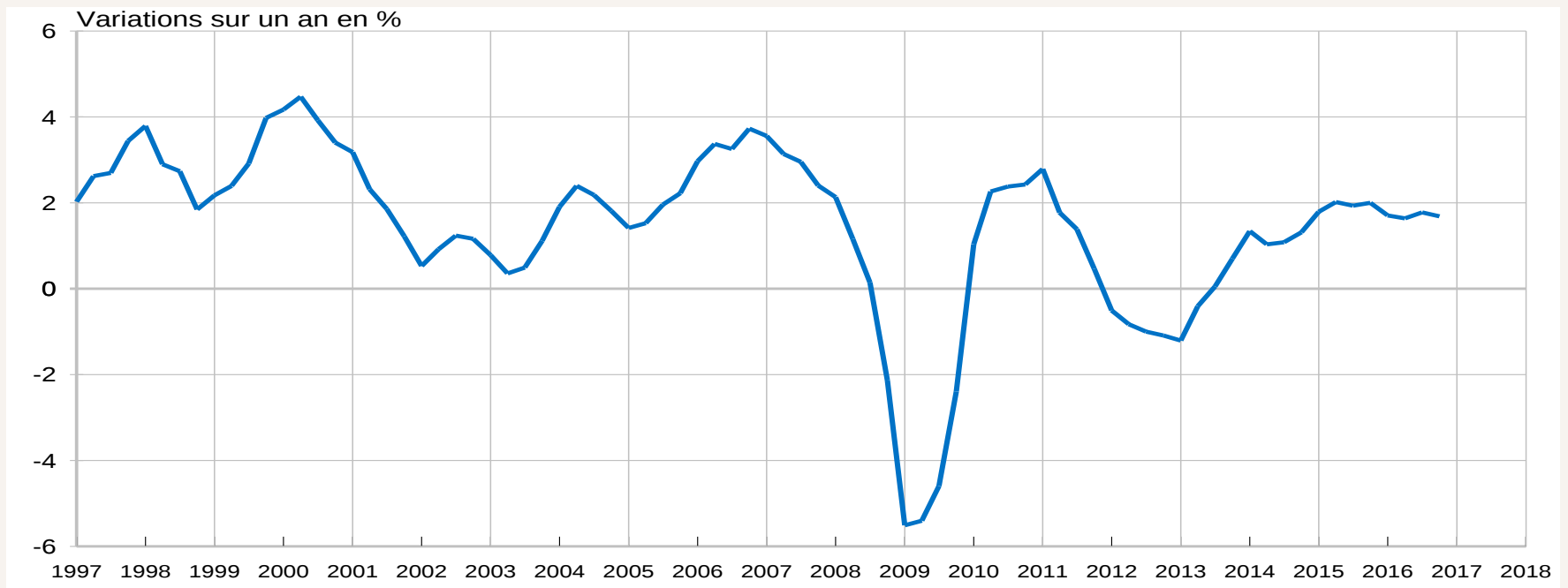
Enquête auprès des directeurs d'achat - ISM manufacturier



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Europe : Slightly better

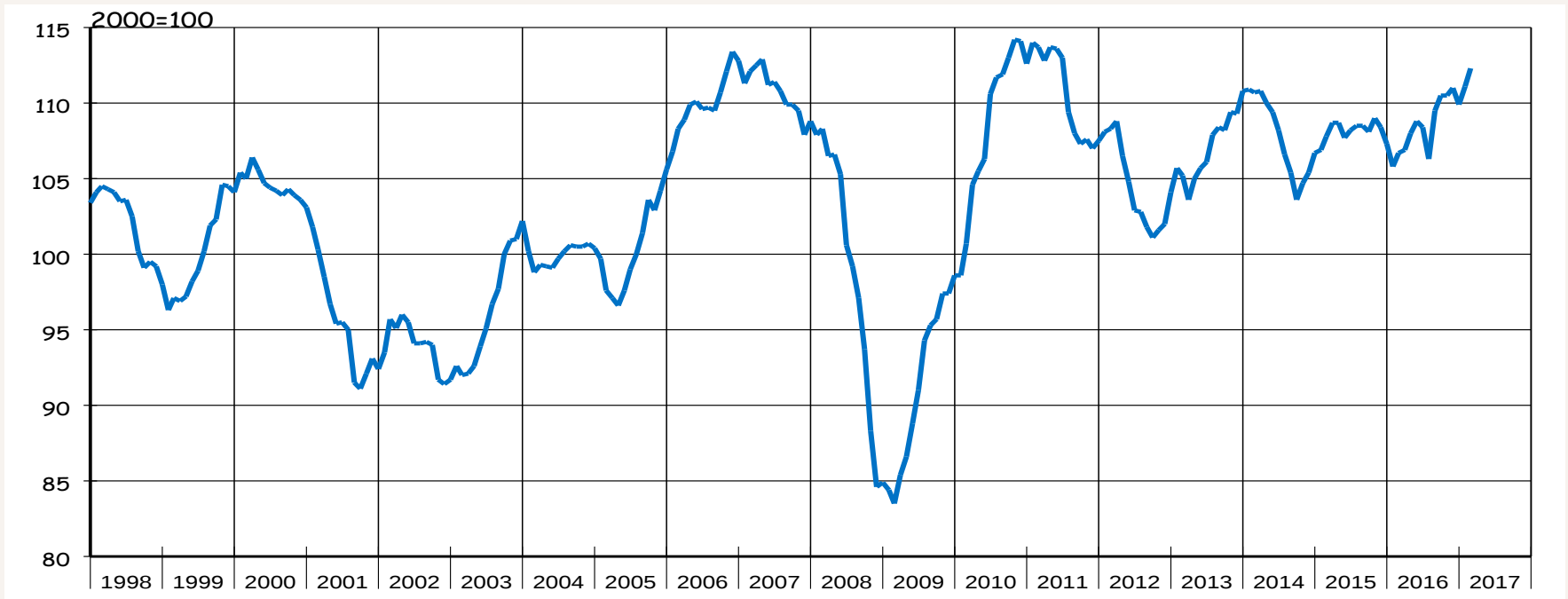
Zone euro : croissance du PIB en volume



© Coe-Rexecode

German business mood is fairly high

Allemagne : Enquêtes IFO - climat des affaires

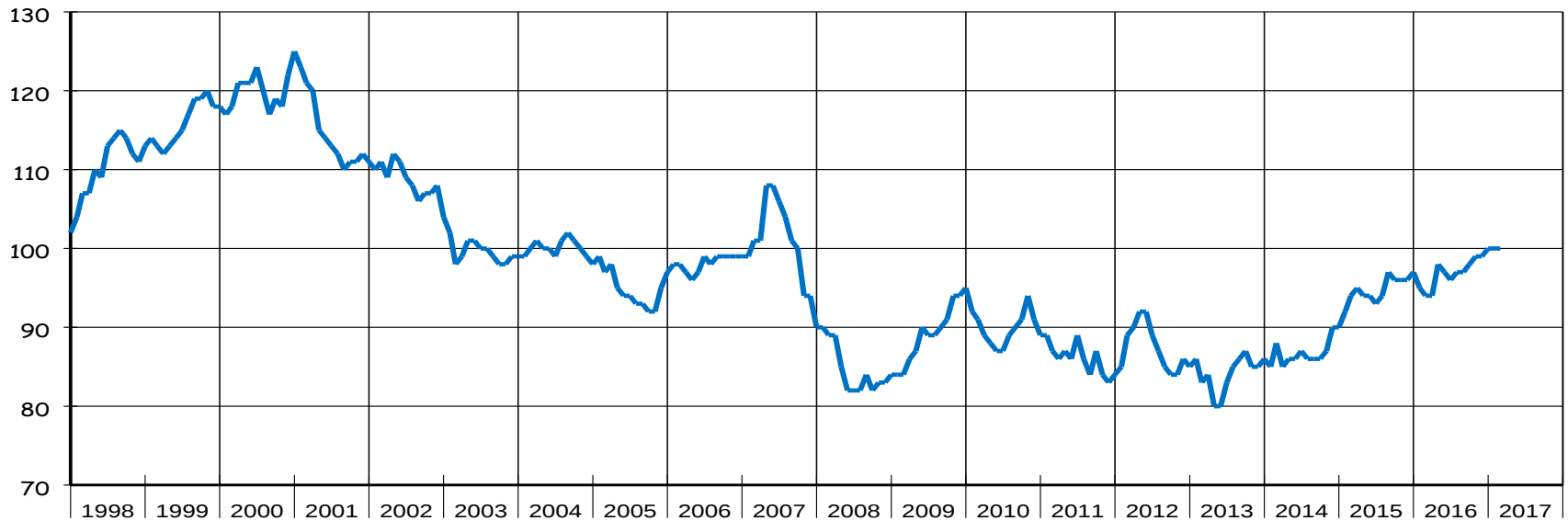


© Coe-Rexecode

French households are surprising

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



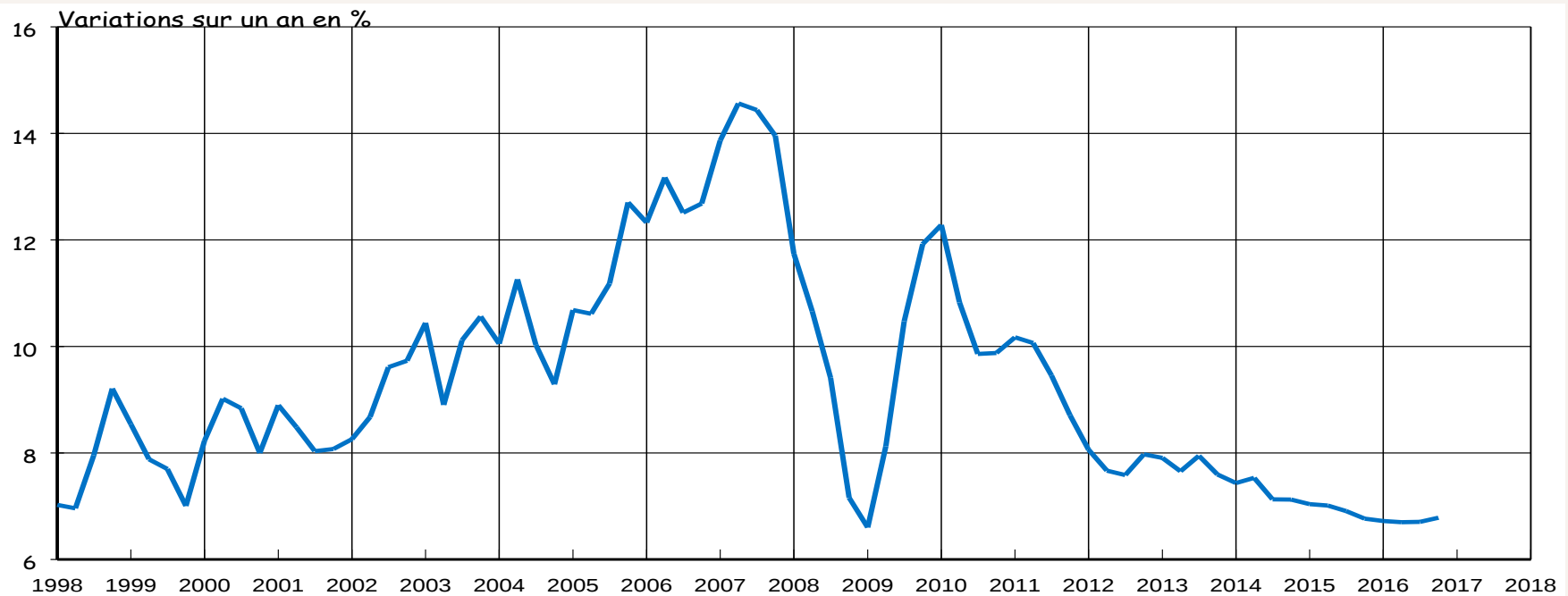
© Coe-Rexecode

Among emerging economies

- China : mid-term for Xi Jin Ping
- India : first of the class
- Brazil : from crisis to crisis
- Russia : mostly a commodity producer

The party has decided that Chinese growth would be 6,5 %. It will be ! (and 6,9% for Q1 2017)

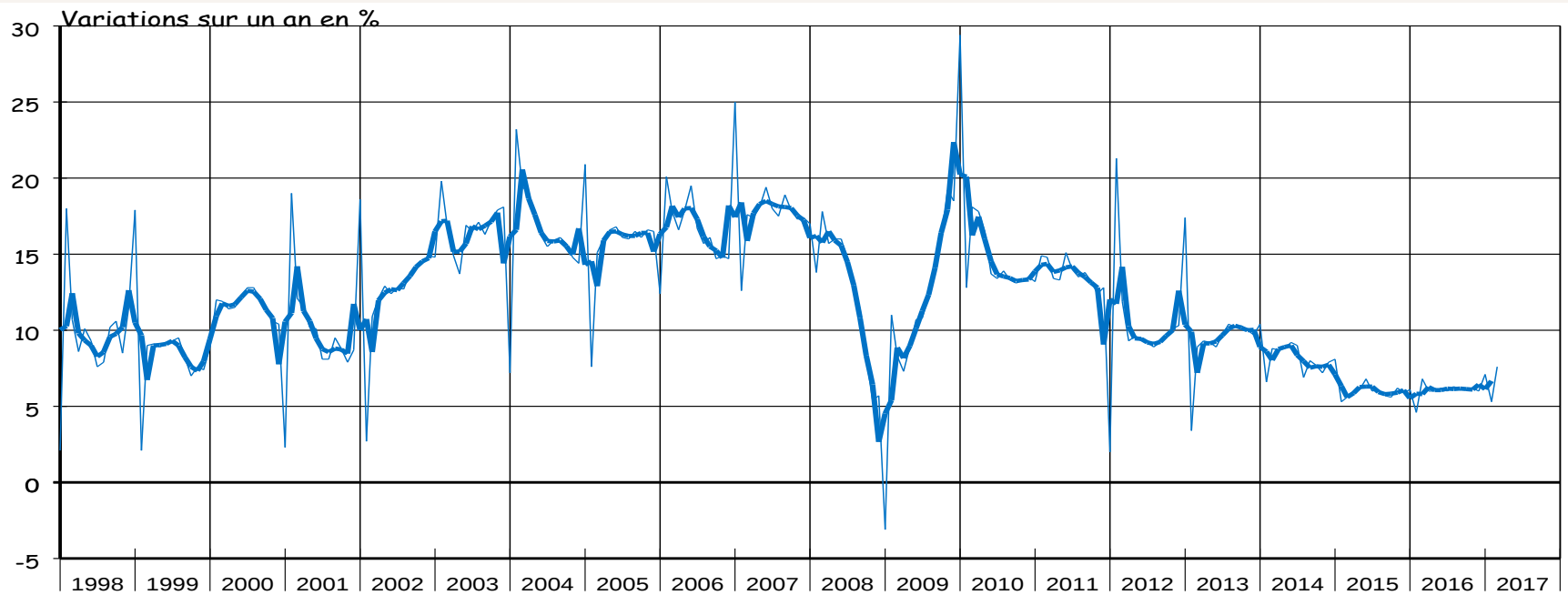
Chine : croissance du PIB en volume



© Coe-Rexecode

And industrial production growth above 6 %, with much infrastructure spending

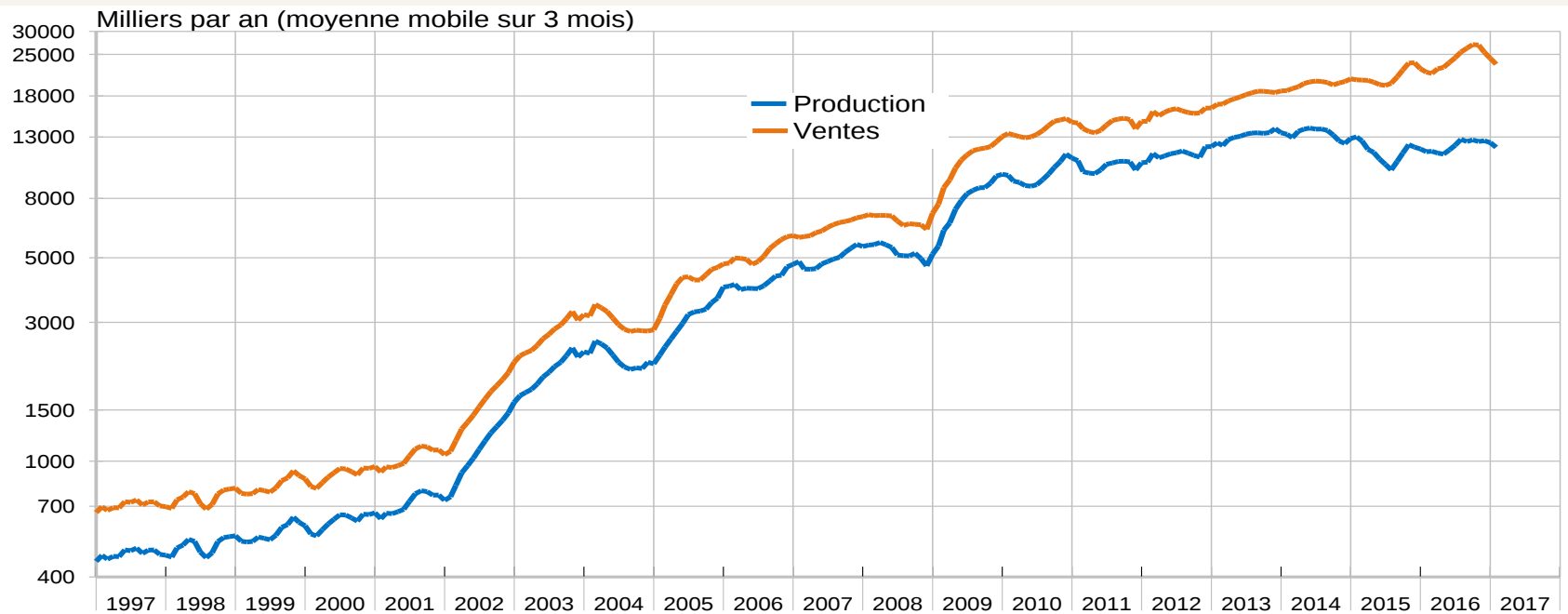
Chine : croissance de la production industrielle



© Coe-Rexecode

And the biggest car market in the world

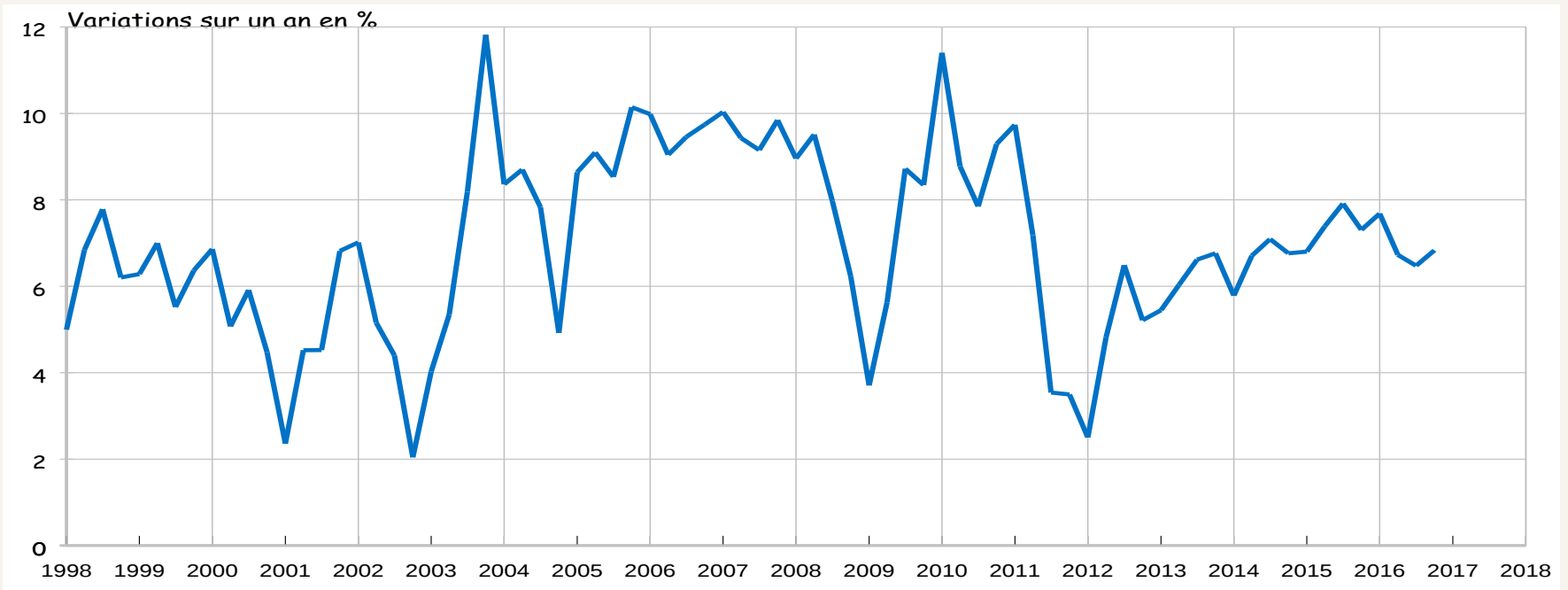
Chine Production et ventes de voitures particulières



© Coe-Rexecode

India : the « Modi effect »

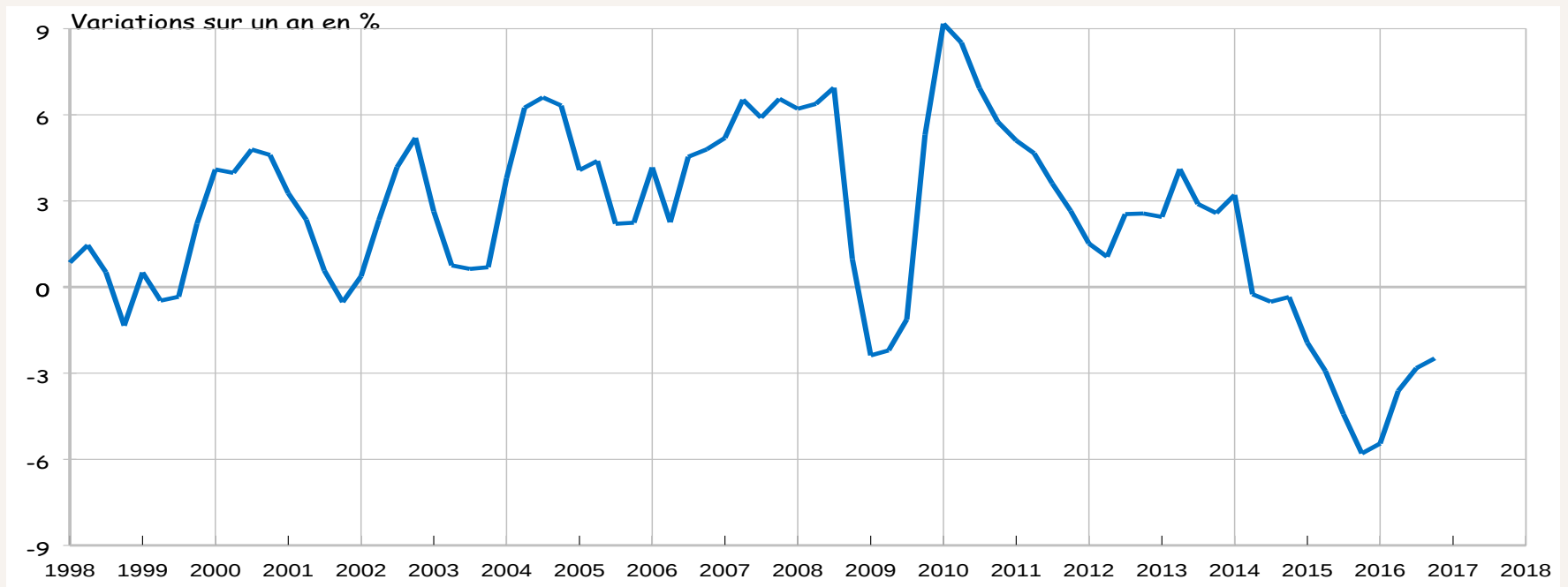
Inde : croissance du PIB en volume



© Coe-Rexecode

Brazil : still suffering

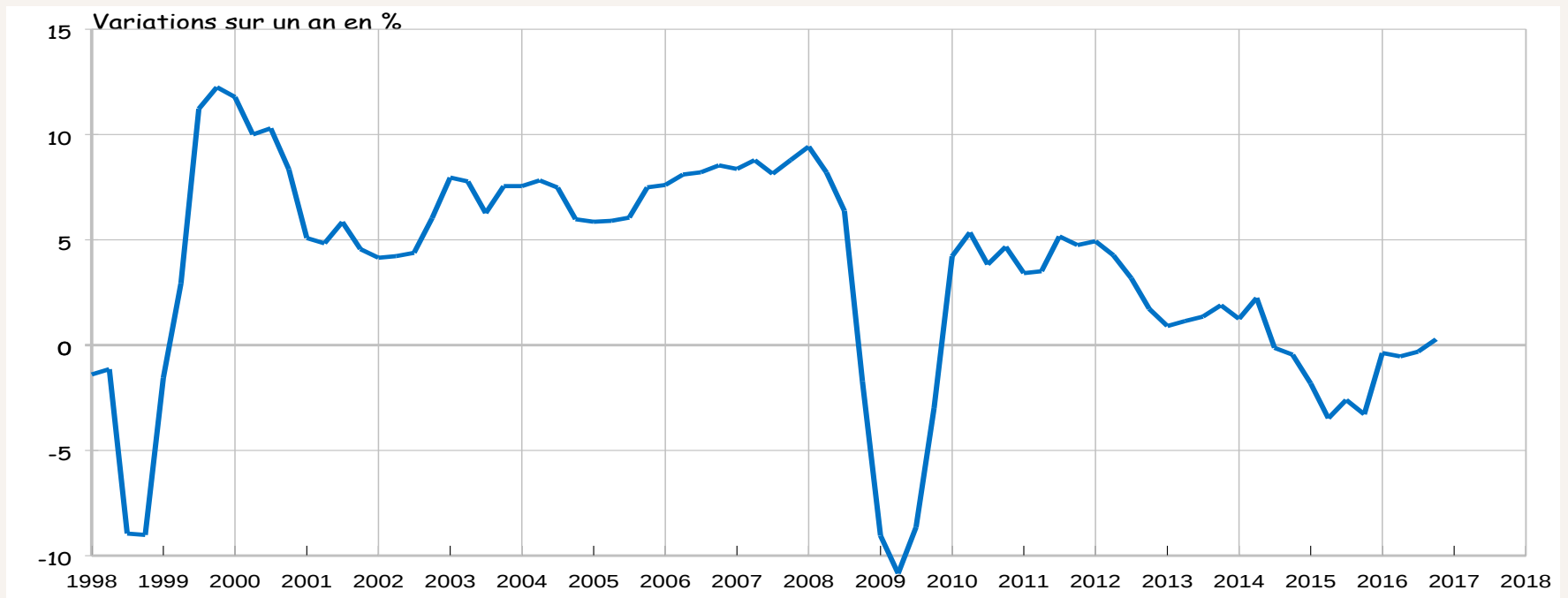
Brésil : croissance du PIB en volume



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Russia : the oil and commodity impact

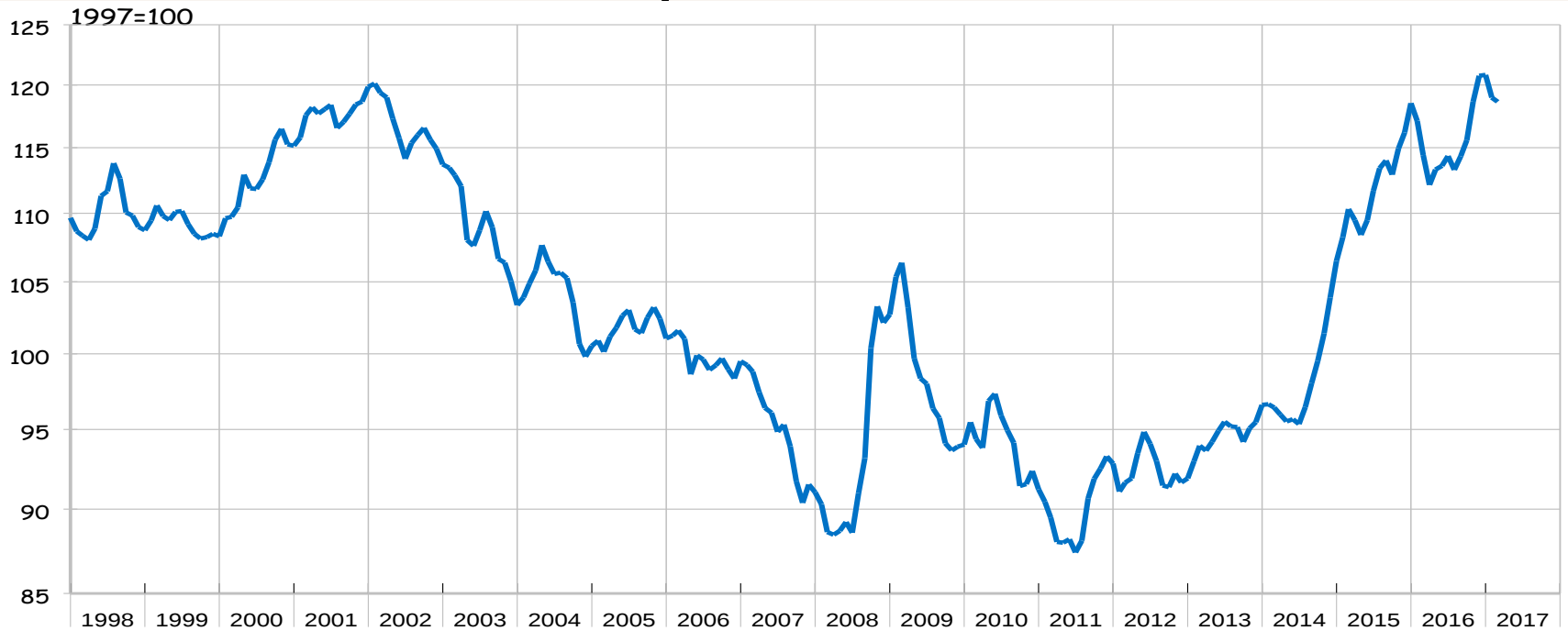
Russie : croissance du PIB en volume



© Coe-Rexecode

All this, translated in a strong dollar

Taux de change effectif nominal du dollar



© Coe-Rexecode

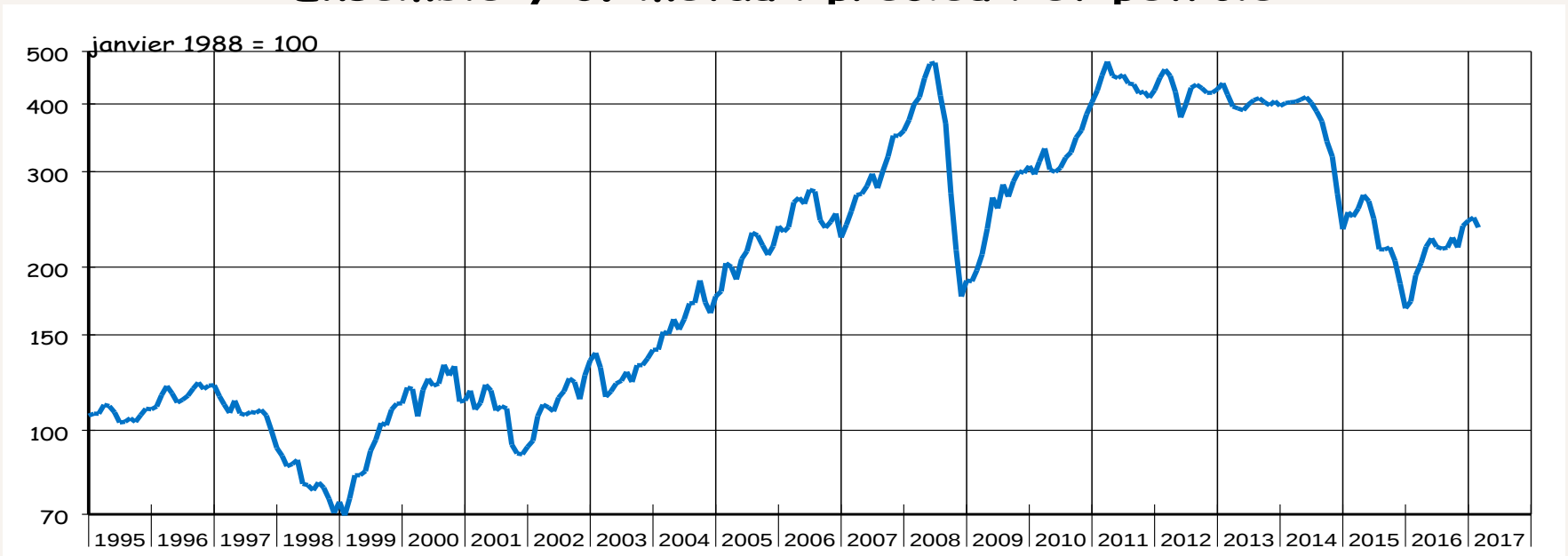
CyclOpe's 2017 economic forecasts

The world	3,2
Advanced economics	1,8 / 2
US	2,5
EU	1,7
. Germany	1,5
. France	1,1
UK	1
Japan	1
Emerging economies	4,5 / 5
China	6,5
India	7,4
Brazil	0
Russia	1
Rest of Asia	4 / 6

Commodities : the end of the 2006/2014 « super cycle »

Indices Rexecode des cours des matières premières en \$

Ensemble y c. métaux précieux et pétrole

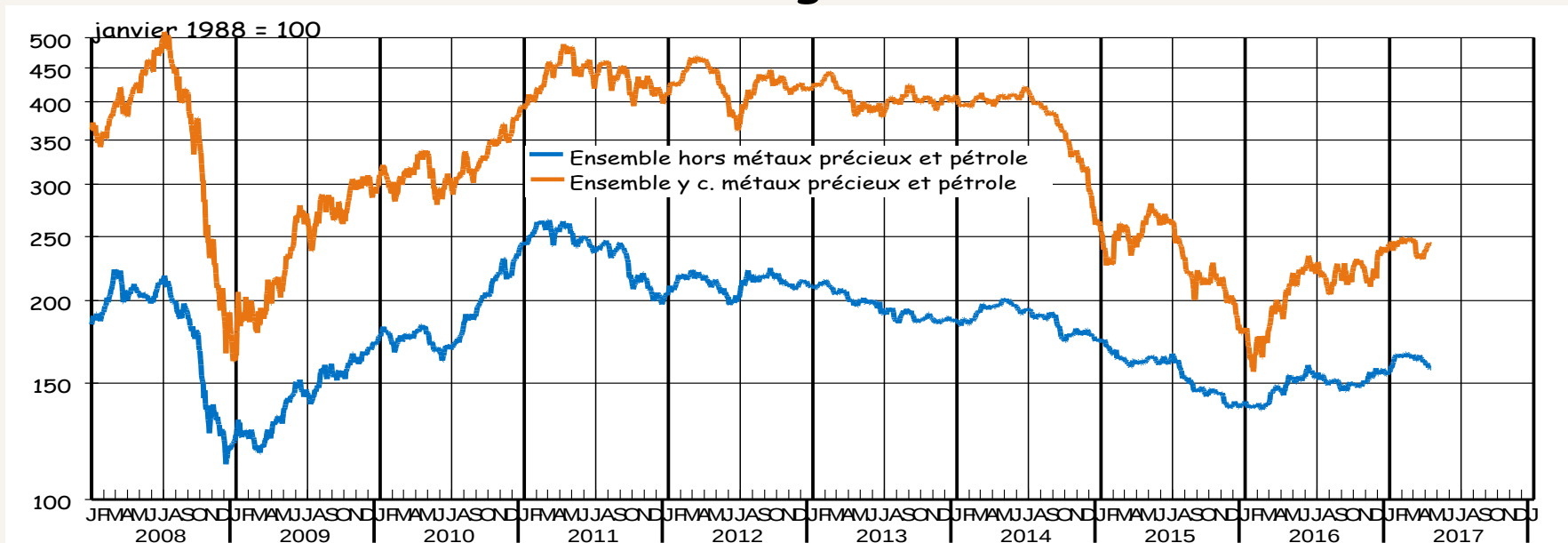


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And a slight upturn since 2016

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

Indices globaux

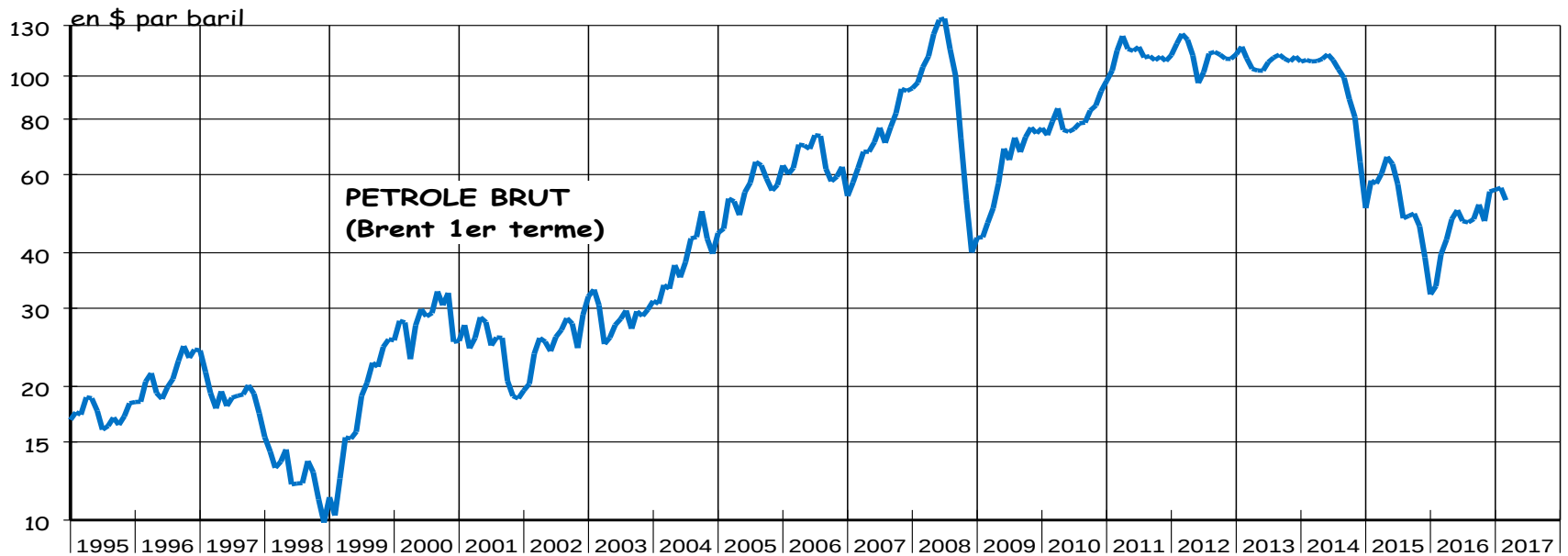


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Oil of course

Cours des matières premières

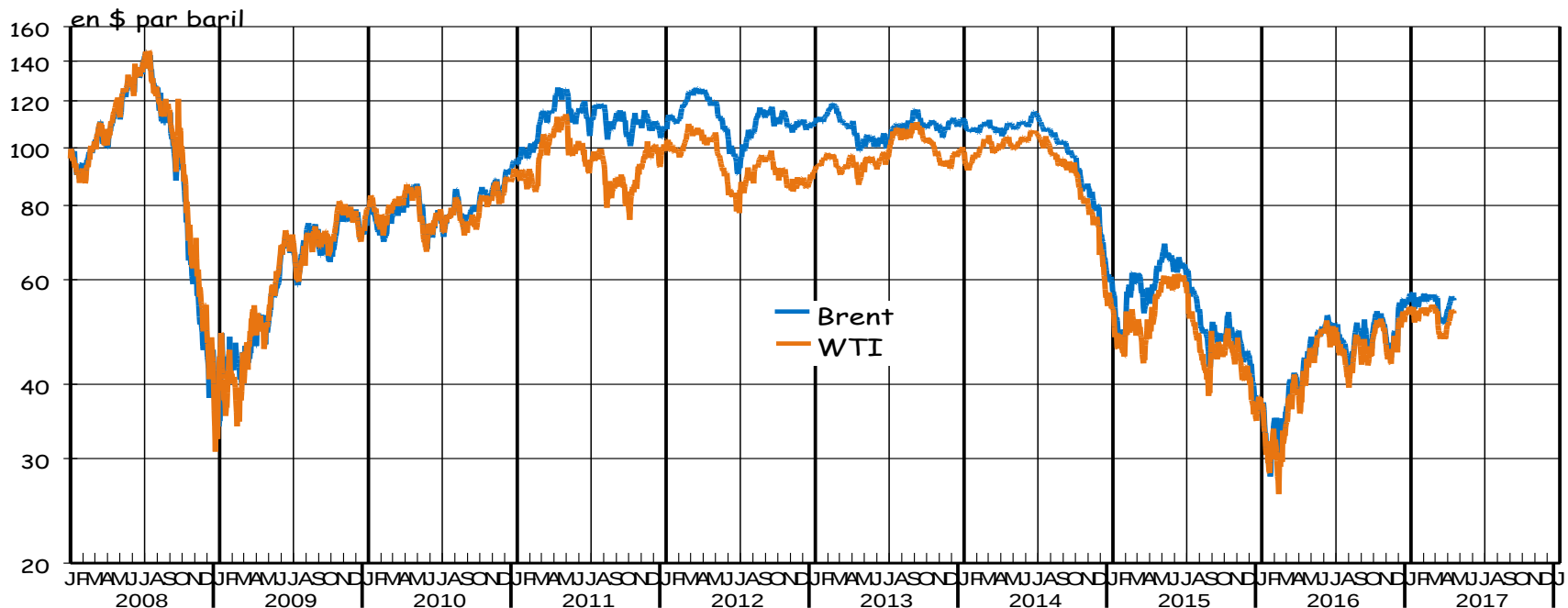
Pétrole brut



© Coe-Rexecode

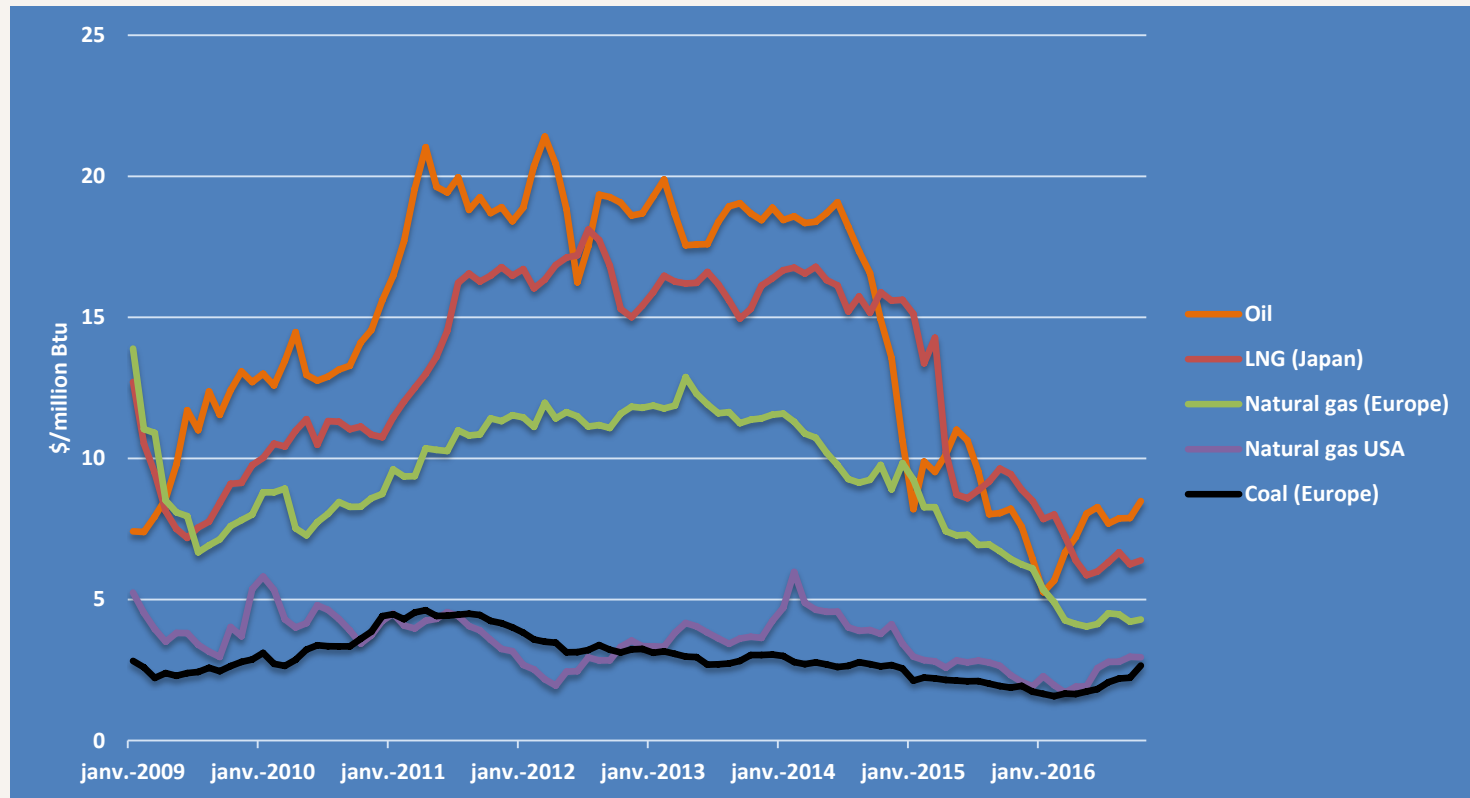
But a very cautious market after Vienna's
OPEC agreements

Cours des matières premières Pétrole brut



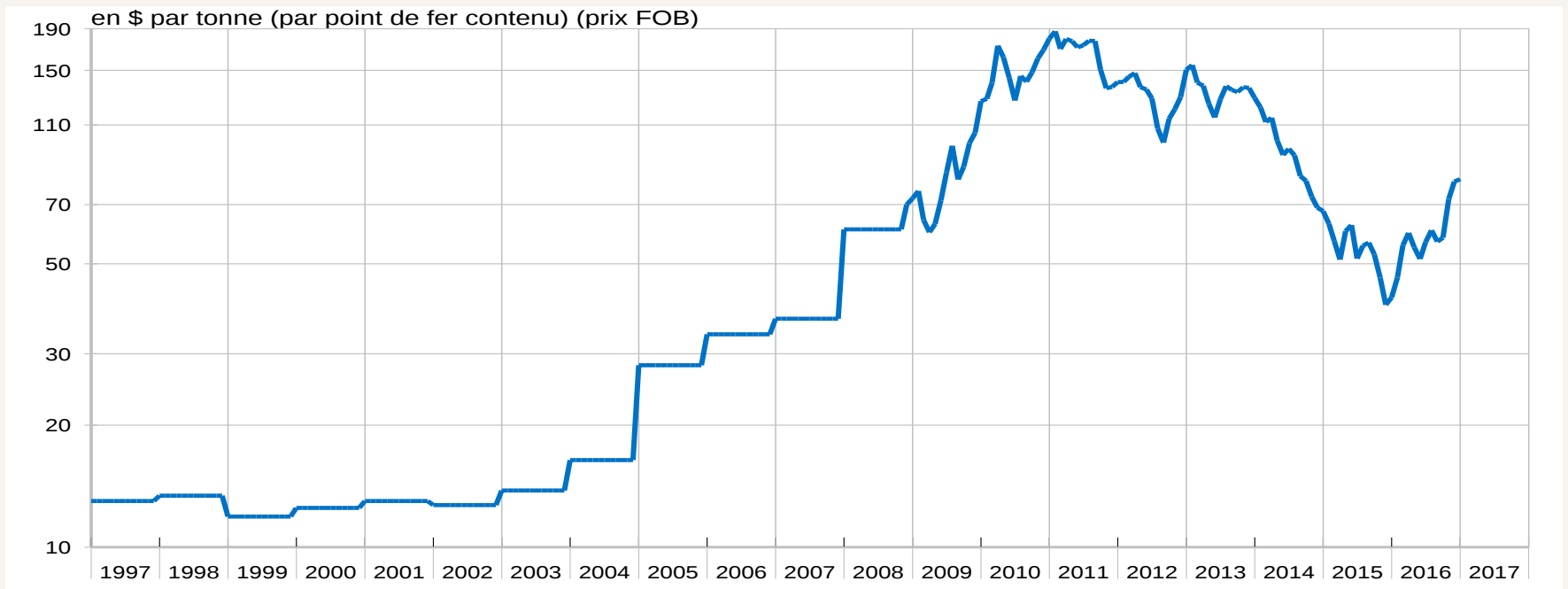
© Coe-Rexecode

Contrasting situations for natural gas and coal



A rebound in iron ore prices but ... perhaps shortlived !

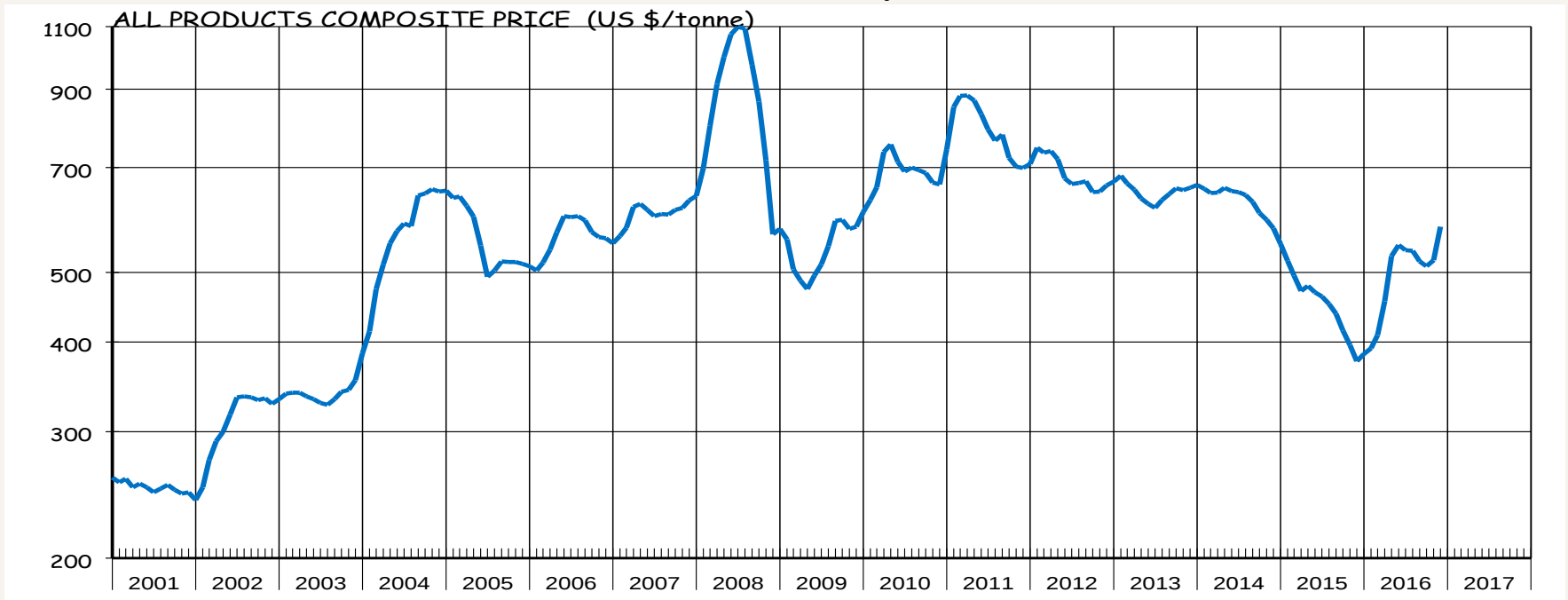
Minerai de fer



© Coe-Rexecode

Steel thanks to Chinese speculation and production (a record 72 mt in March 2017)

Marchés mondiaux : prix de l'acier

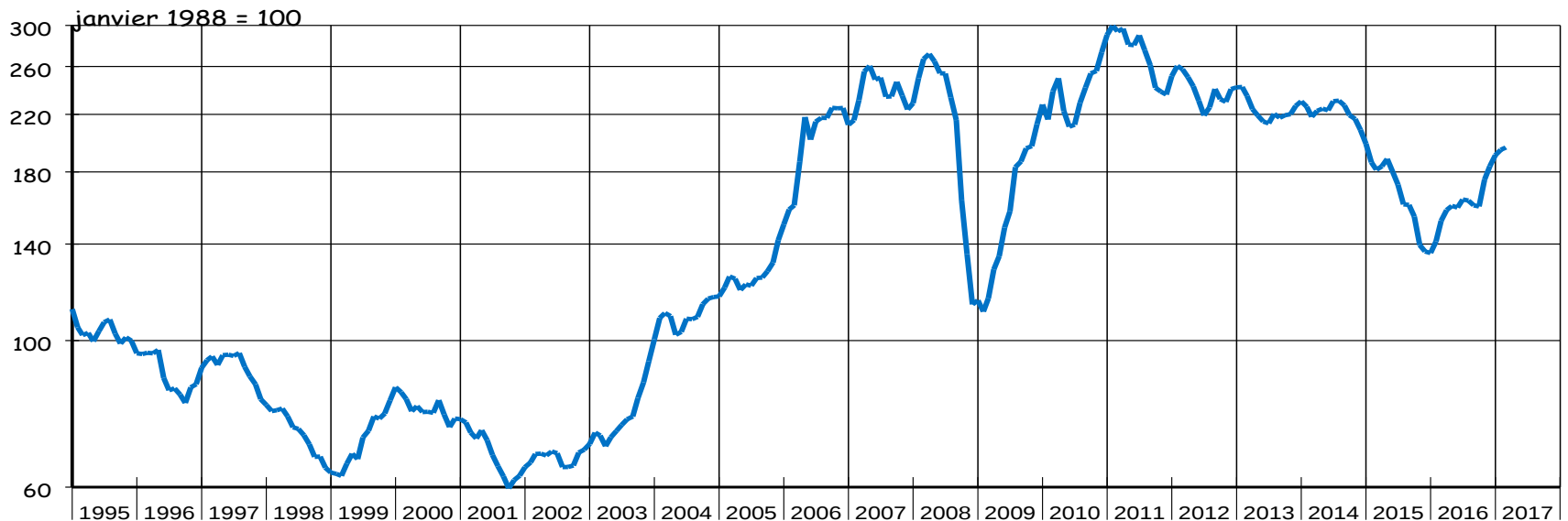


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Rebound too for non ferrous metals

Indices Rexecode des cours des matières premières en \$

Métaux communs

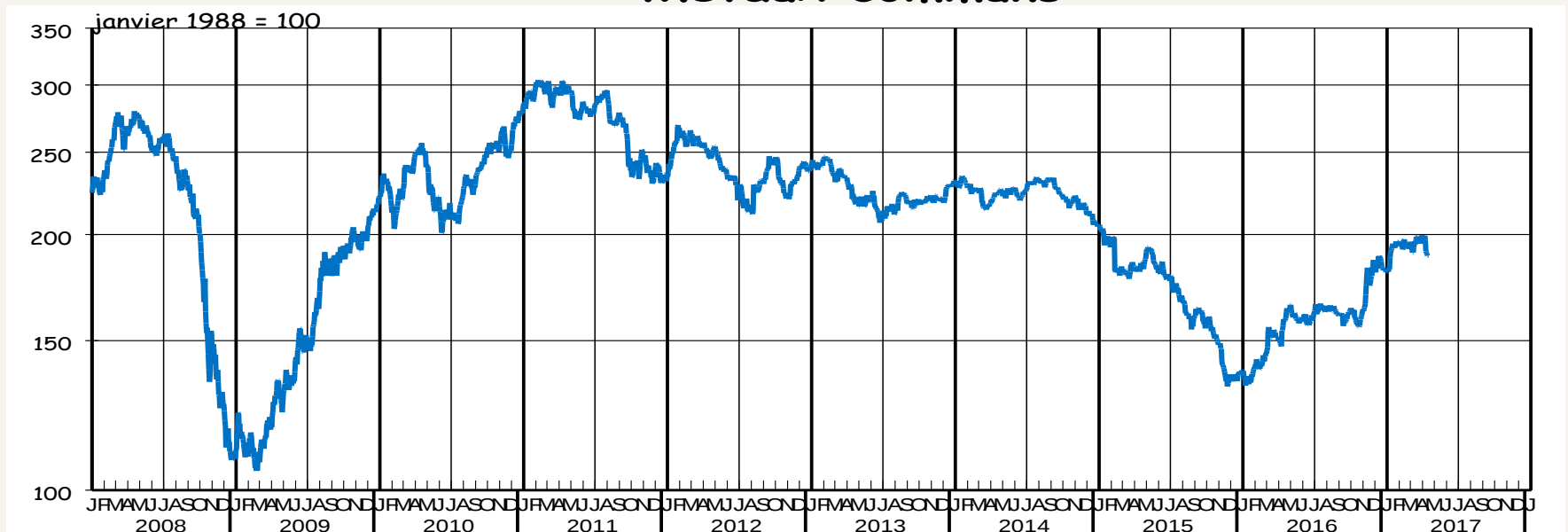


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But recently with a slight drop

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

Métaux communs



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Copper : the « Trump » effect

Cours des matières premières

Métaux communs : cuivre

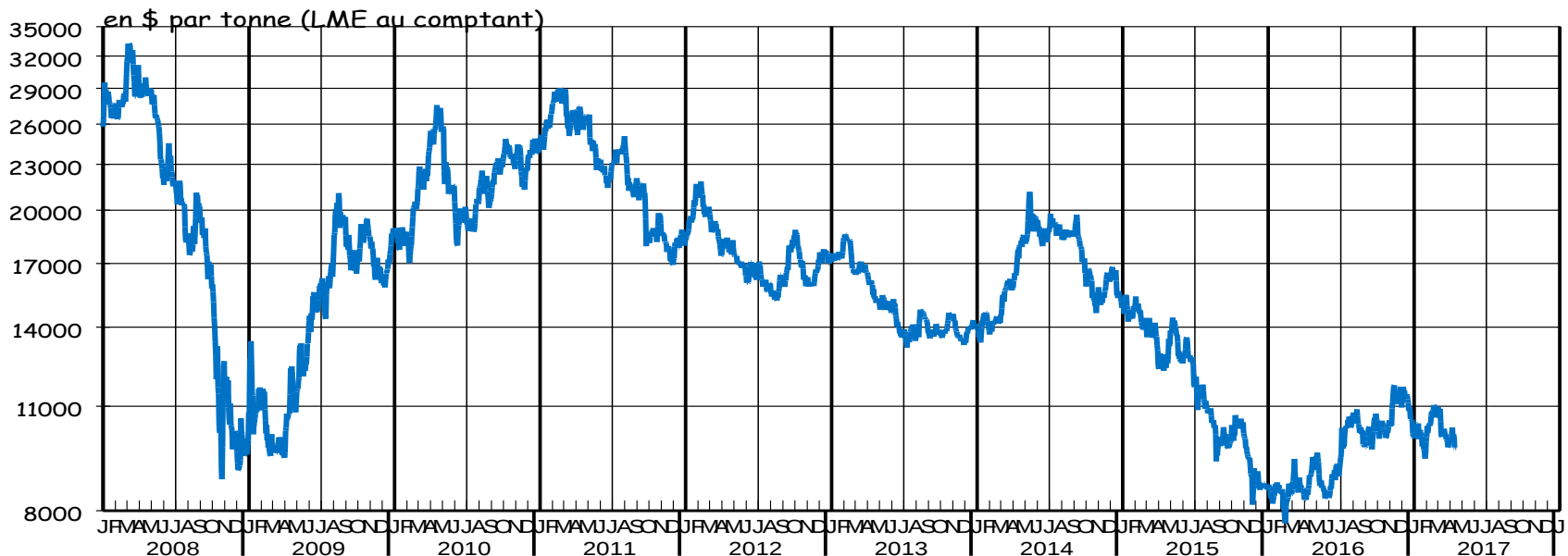


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Nickel : the Duterte » effect

Cours des matières premières

Métaux communs : nickel

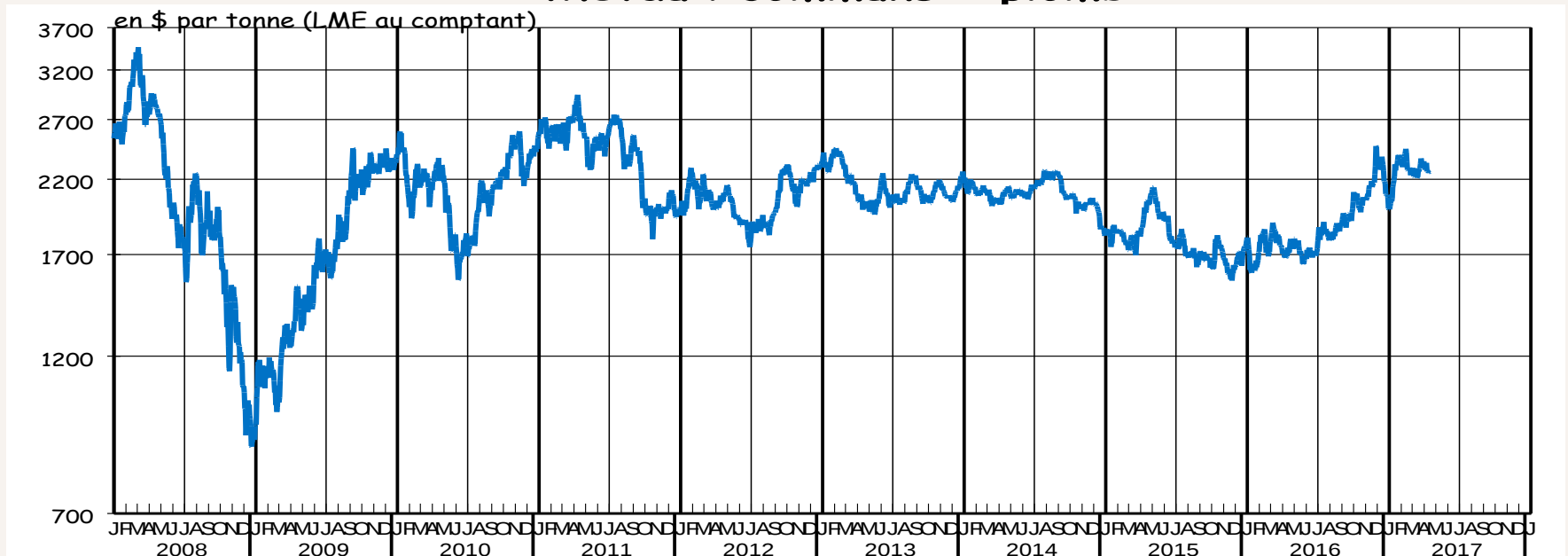


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Lead : the « stop-start » effect

Cours des matières premières

Métaux communs : plomb

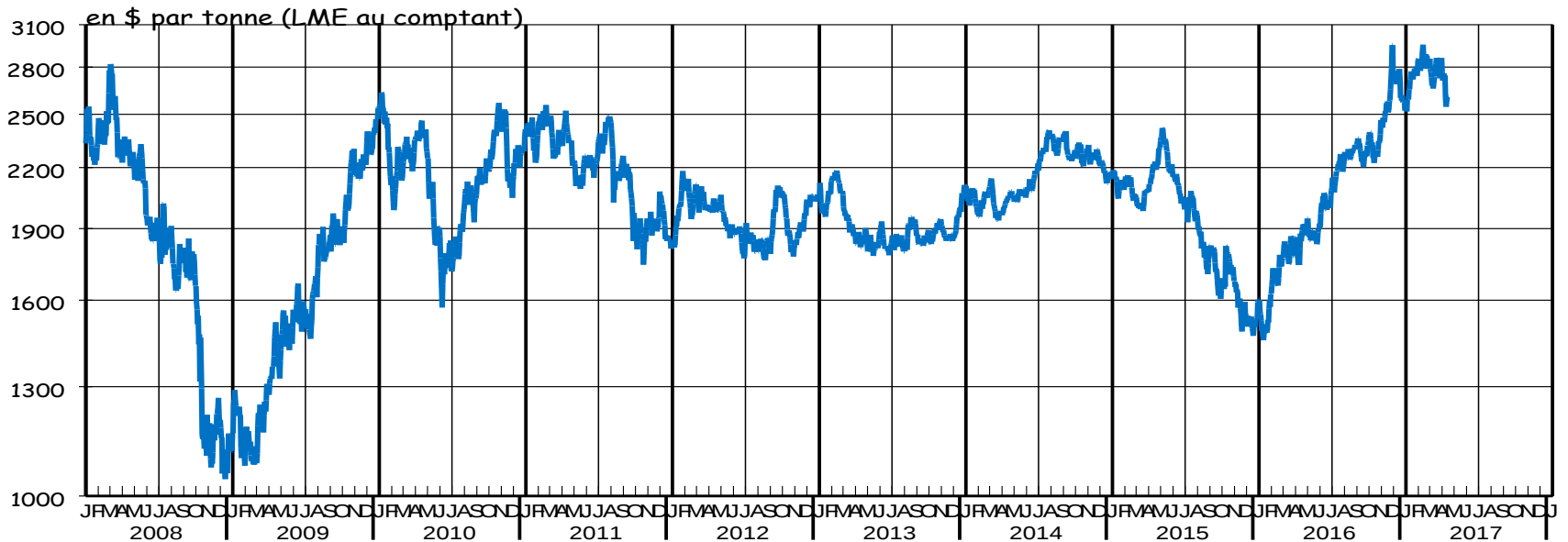


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Zinc : the « Glencore » effect

Cours des matières premières

Métaux communs : zinc

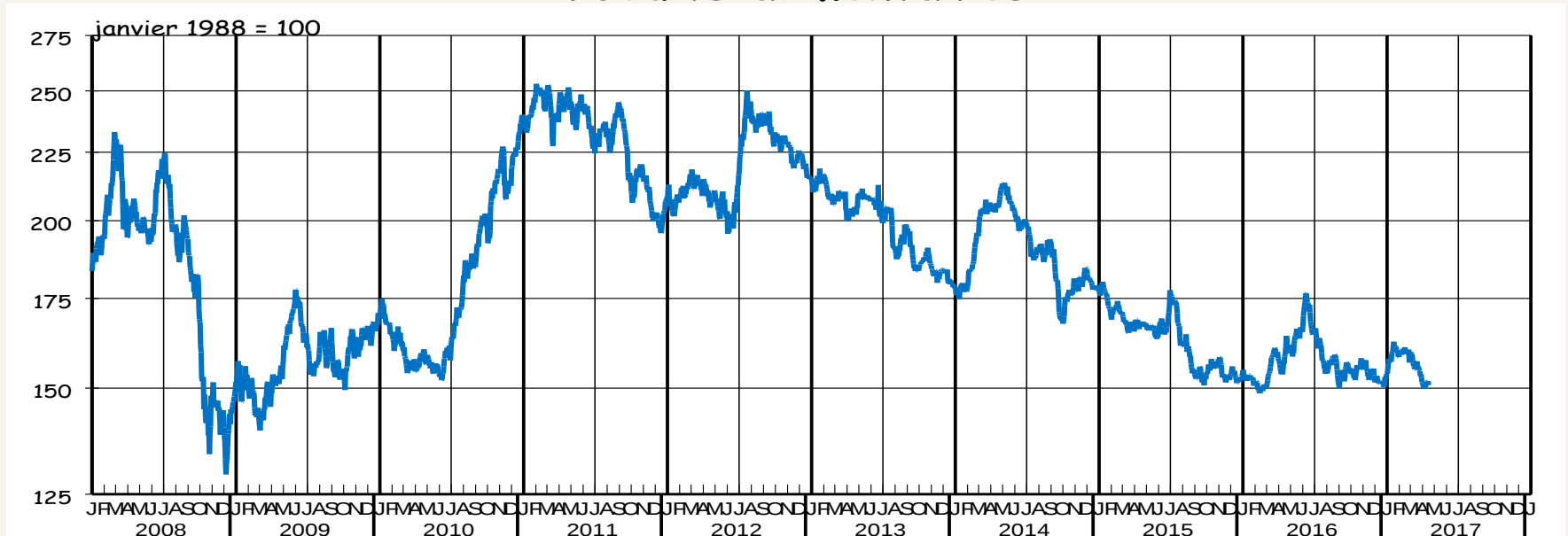


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No such rebound for food products
(except pigmeat and butter)

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

Produits alimentaires

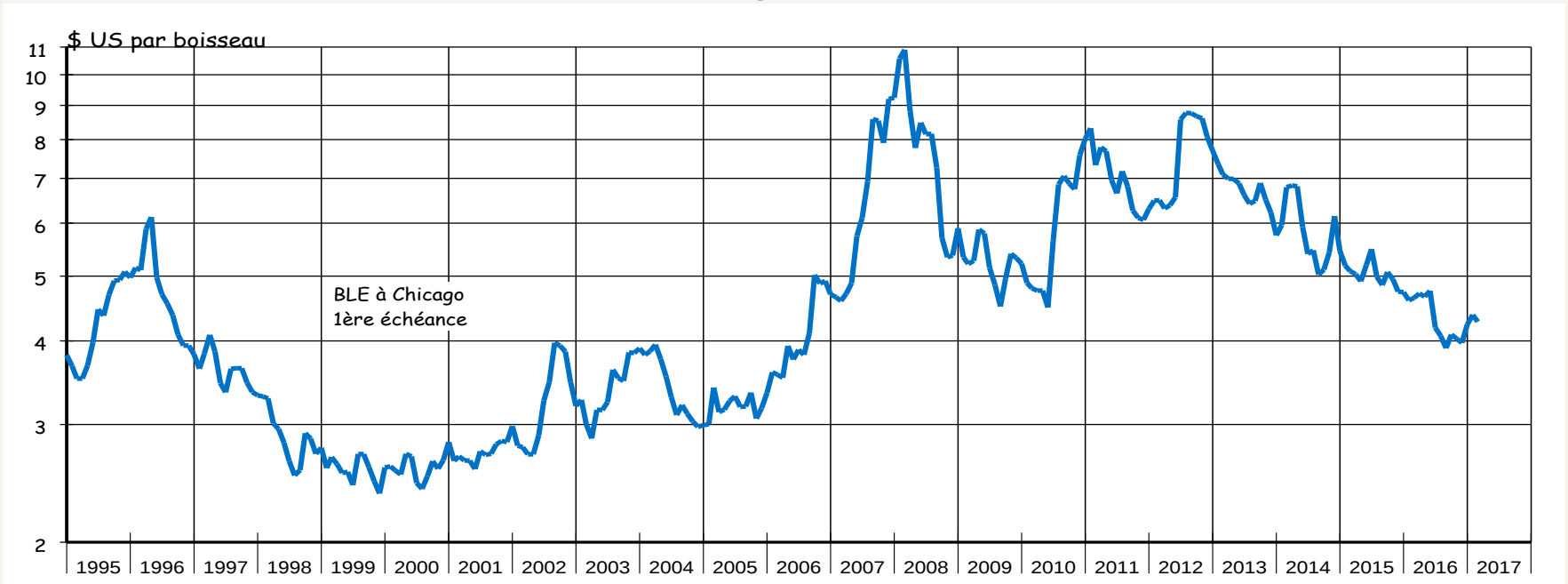


© Coe-Rexecode

The fall of wheat with a record grain production)

Cours des matières premières

Blé

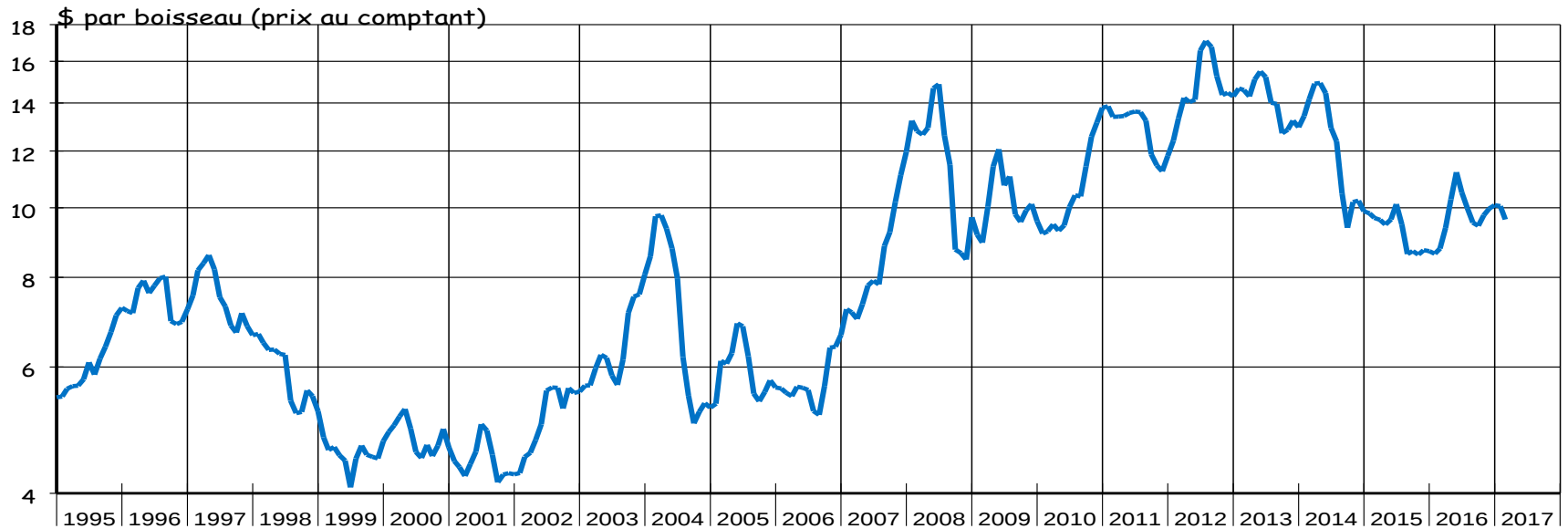


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Soybeans are slightly better thanks to Chinese imports

Cours des matières premières

Fèves de soja

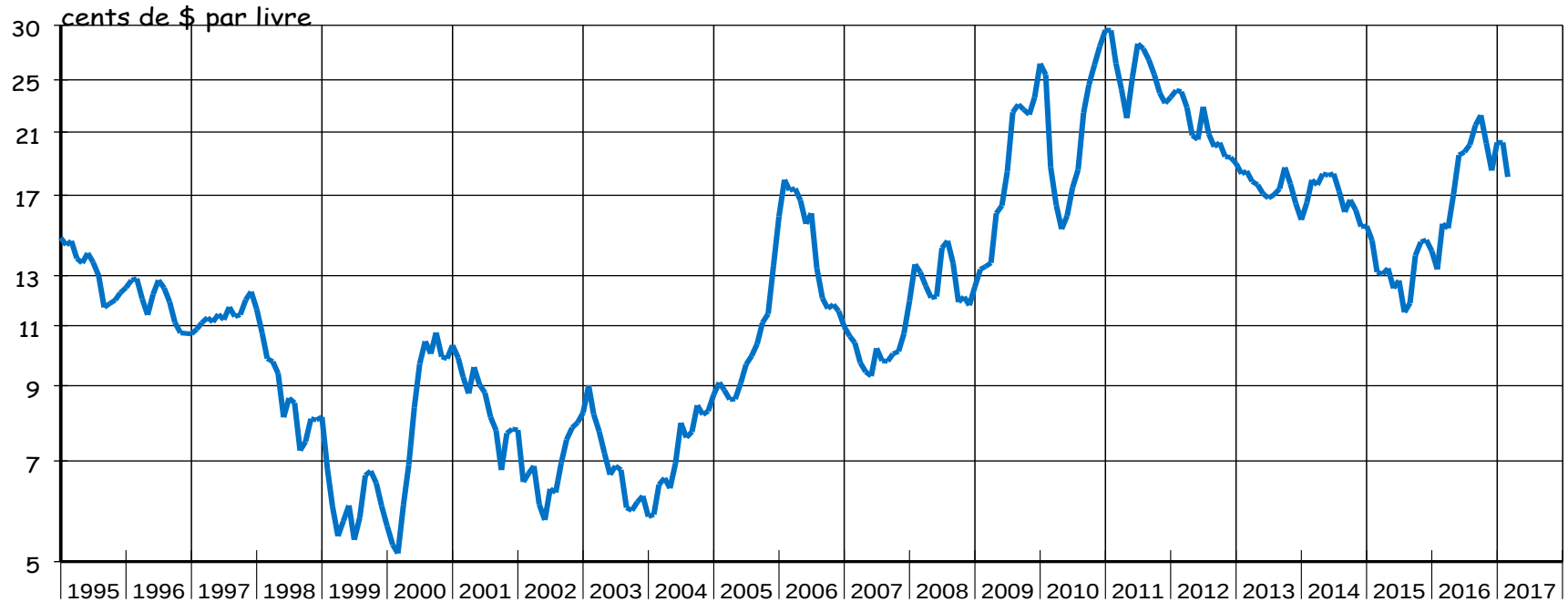


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Sugar : the most bullish of all agricultural commodities

Cours des matières premières

Sucre

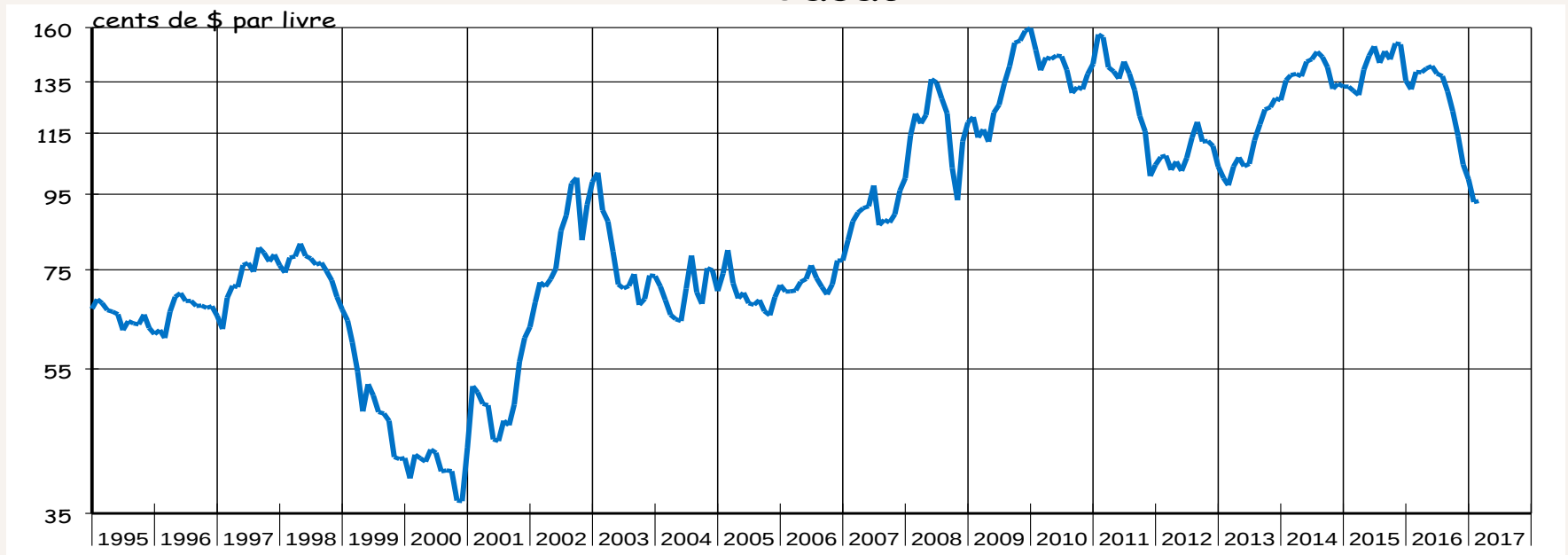


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The fall of cocoa

Cours des matières premières

Cacao



© Coe-Rexecode

And the extreme elasticity of rubber !

Cours des matières premières

Caoutchouc

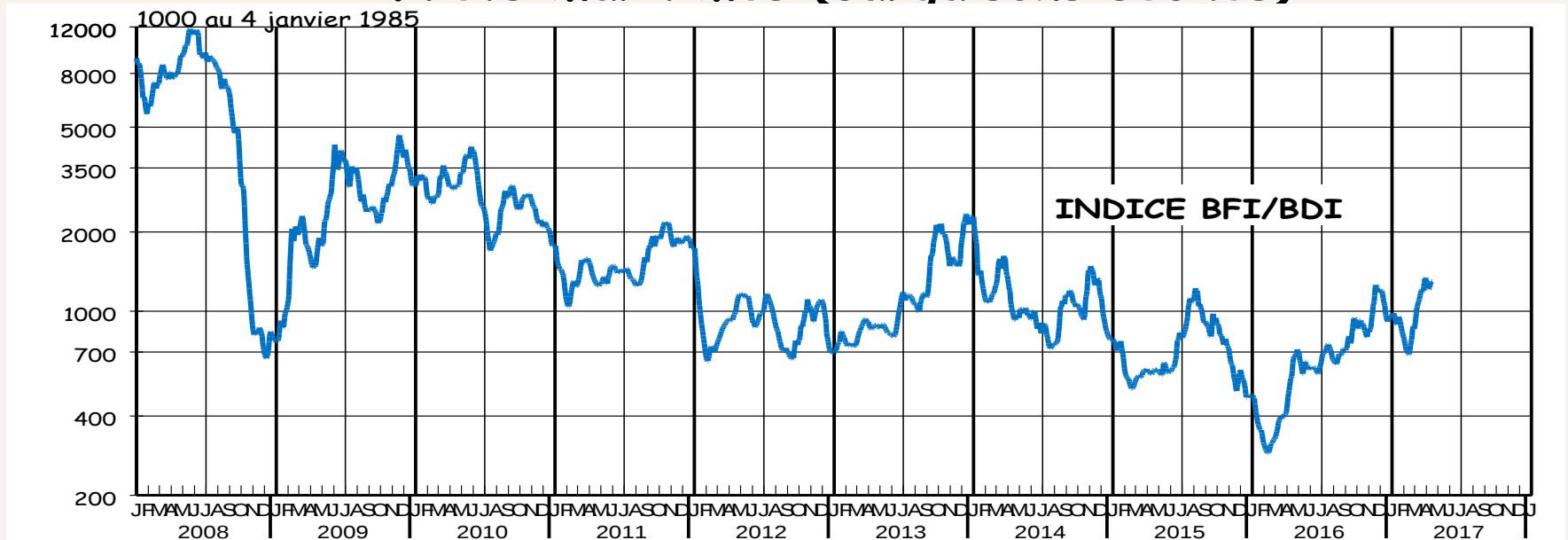


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Dry freight, slightly up but still very cheap

Cours des matières premières

Frêts maritimes (carqaisons sèches)



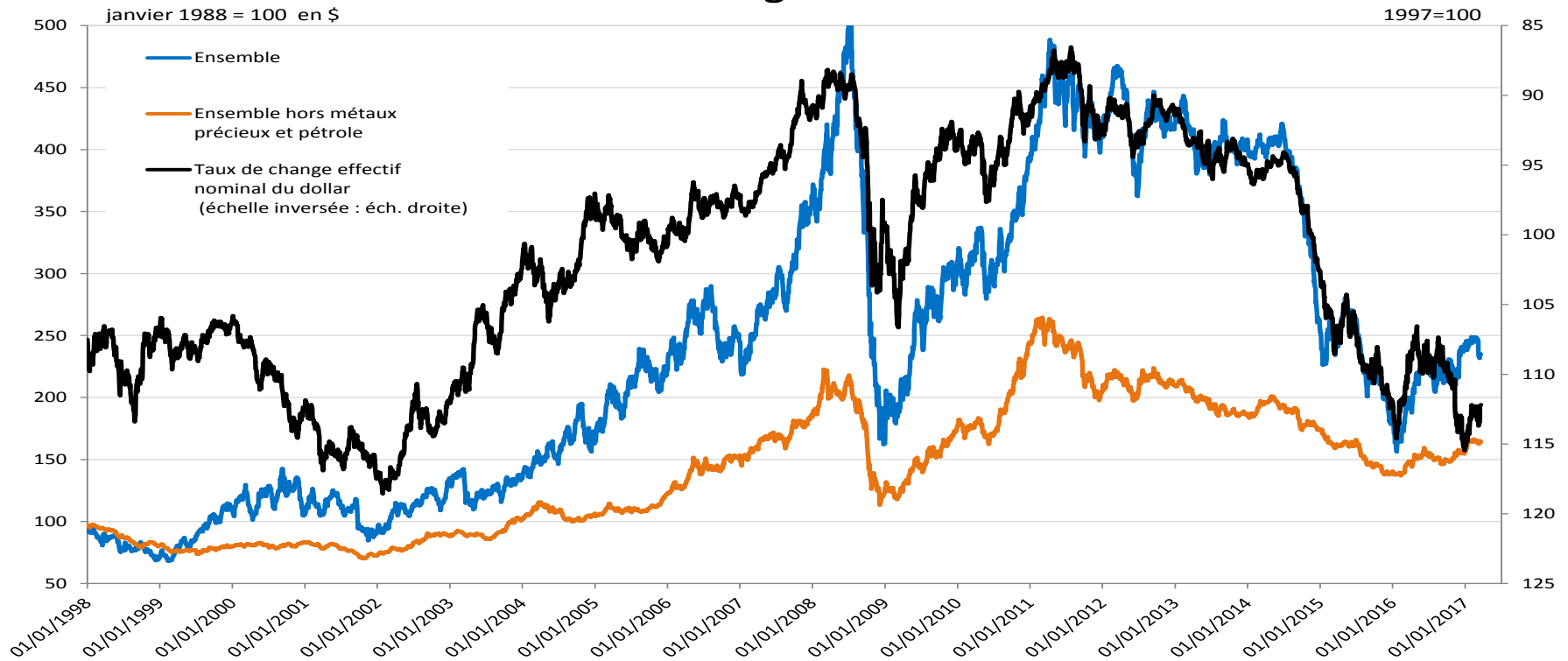
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Commodities : a tale of supply and demand

- demand
 - . world economic growth
 - . China
 - . Public spending : US and China
- supply
 - . climate
 - . investments
 - . new technologies
 - . producer's strategies, farm and trade policies
 - . the commodity curse
- dollar and exchange rates
- speculation
 - . derivatives markets
 - . China

The correlation between dollar and commodities

Indices Rexecode des cours des matières premières et taux de change effectif du dollar



Some Cyclope's forecasts :

(percentage change average 2017 versus average 2016)

Cyclope index + 11

■ Coking coal	+63	cocoa	-25
■ Dry freight	+48	soybeans	-12
■ Brent oil	+20	platinum	-8
■ Zinc	+15	wheat	-8
■ Copper	+13	palm oil	-7
■ Coffee	+6	corn	-2
■ Aluminium	+6	iron ore	-1
■ Nickel	+4	sugar	-1
■ Rubber	+1		
■ Cotton	0		

To sum up:

1. The 2006/2014 « super cycle » is over
2. History of commodity cycles pushes for a long period of low prices
3. Next boom perhaps at the end of the twenties linked to Indian and/or African demand
4. Meanwhile unstable markets
5. Risks linked to geopolitics, climate, new technologies, exchange rates
6. No world governance : watch Donald and Xi !
7. Watch the strategies of the big players : traders, mining and oil companies, finance houses ...

But beware of the winds !