S&P Global Commodity Insights

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Geopolitical risk and demand should give oil upside of $5 or more.

The broader commodity complex remains strong, with copper up by almost 20% in the last couple of months, surpassing $10,000 per metric ton, spurred by increasing industrial demand in China and solid commodity prices early in the season. Copper is projected to rise further and reach nearly $12,000 by the end of the year. Meanwhile, the CSI 300 in China has seen a 16% increase since February, indicating a strong market trend for further growth. In the US, economic indicators such as the core Personal Consumption Expenditures Price Index in March, came in at 2.8%, indicating persistent inflation. Interest rate cuts, which were originally anticipated for March, have been pushed out to possibly September, with an election in early November adding complexity.

Where does the ECB stand versus the FED in cutting rates?

There's no doubt Europe needs a cut. Consumer sentiment over the last couple of years has been anemic, coupled with a weak manufacturing picture in Germany, in France and Spain. The whole zone is pretty much underwater. GDP in the fourth quarter last year was flat and we've seen a slight uptick of 0.2% for Q1 this year. It will get to a point where we have stagflation, so a rate cut would certainly help and also take some pressure off the Euro. ■

**Paraphrased Comments*