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Correlation between equity markets and commodities?

The correlation is there because the stock market is trying to price in a further economic deterioration than the one we have seen already because we have not seen any major setbacks yet. But early next year, we may see the US economy come off the boil. That is also potentially sowing the seeds for the recovery in the stock market because perversely, right now the stock market is reacting negatively to the strong data and positively to weaker data because of the impact on the terminal rate, which is currently priced in close to 4.5% in the US by March next year. The question is what kind of economic impact it will have? I see that growth will slow down going forward. It remains to be seen whether that is going to translate into a weaker oil price because the supply side remains equally challenged. Demand is going to be weaker and will continue in the coming months.

China will not stay locked down forever.

A recovery in demand from China will add some additional input to the upside or at least add some support to the price. They have an economic growth situation that is deteriorating, and they want to get that back on track. There will be some parts that will be commodity-intensive and will require energy. This is one leg of the equation that could start the fire and provide some underlying support to oil prices.

The dollar is key.

Some of the risks on and off the markets recently are driven to a large extent by the dollar moves. Getting a more balanced view on where interest rates are going could be a trigger for some dollar weakness. I see the dollar remaining strong into the winter months, but some weakness would be in our forecast for next year. ■

**Paraphrased Comments*

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