

## Maleeha Bengali

Founder

MB Commodity Corner



### **Demand, supply dynamics as we close out the year?**

We see seasonal winter heating demand picking up and some supply issues, but oil prices have fallen \$60 from the highs of when everyone was very bullish, and we also have a lot of macro issues. We had the CPI release, dollar Fed liquidity issues, how much further interest rates will rise? All these factors are playing into commodities but one thing's for sure - demand has fallen a lot, so that bullish super cycle narrative has been misplaced. Commodities are all about timing; it's not about today, it's what will happen tomorrow, and that's what's playing out.

### **Impact of China and India demand pull on prices going forward?**

China is reopening, but it's more of a relaxing of some measures for now. Q1 might be a different story, but China has also stored a lot, so there's a glut of product inventories which is why prices are falling. US and European demand remains quite weak, so we see prices flat for now as this push and pull continues.

### **Fiscal picture for the US as we come to the end of 2022?**

Investors are desperate for a Fed pivot but even though asset markets have fallen about 25% and tech stocks are down about 60%, the Fed's main agenda is still employment and inflation. On the latter, they are adamant that their work is not done. If the employment market gets a bit shaky, they might be convinced to hold back a bit, but for now, they will monitor the data and keep tightening. We are not really out of the woods yet.

### **Did equity markets get ahead of themselves in the past month?**

The bond market is signaling worrisome signs of recession, but the equity market is still forecasting 5% earnings growth for next year. If you look back at any recession, earnings are flat to falling, so these multiples are still at high levels, considering the recessionary risk that we have. We are at a place where interest rates can be higher for longer, so we can have a much longer protracted recession and that's not being factored by the equity markets at all. ■

*\*Paraphrased Comments*

