Eden Partners

Monthly Market Insights

10 March 2022

February 2022

Monthly Market Insights, Review of February 2022

- As tensions between Russia and the Ukraine escalated in February, followed by Russia's invasion of Ukraine on 24 February, global sharemarkets declined sharply based on the uncertainty surrounding this event
  - The S&P 500 declined by 3.1%, the Dow Jones fell by 3.5%, the ASX 200 was up 1.1%, and the FTSE 100 decreased by 0.1% for the month
  - Russia's actions were quickly condemned by the United States and the European Union, with initial sanctions being considered and imposed. It is expected that sanctions will negatively impact the Russian economy and severely restrict Russia's access to foreign exchange reserves of circa $600 billion
  - In addition to concerns about energy supply, recent restrictions on SWIFT payments, rising insurance rates for shipping, and port closings have further contributed to uncertainty and market volatility
  - Rising commodity prices, with a focus on energy, have been a key feature resulting from events in Europe, which more broadly have overshadowed improved global economic data and a decrease in Omicron cases
- Additionally, financial markets have been adversely impacted by persistently high global inflation data and changing expectations about when and how much central banks will hike interest rates by in 2022
  - It is expected that the Fed Funds Rate increases will begin in March 2022, with three or four further increases of 0.25 percent expected throughout the year

Source: Refinitiv, AMP Capital, JPM

Market Metrics for February vs YTD

(3.1)% S&P 500 (February)	(8.2)% S&P 500 (YTD)	(3.5)% DJIA (February)	(6.7)% DJIA (YTD)	(0.1)% FTSE 100 (February)	1.0% FTSE 100 (YTD)	1.1% ASX 200 (February)	(5.3)% ASX 200 (YTD)
8.8% S&P GSCI (February)	21.4% S&P GSCI (YTD)	3.6% ASX200 Res (February)	6.6% ASX200 Res (YTD)	5.8% Gold (US$) (February)	3.9% Gold (US$) (YTD)	10.7% Crude/Brent (February)	29.8% Crude/Brent (YTD)

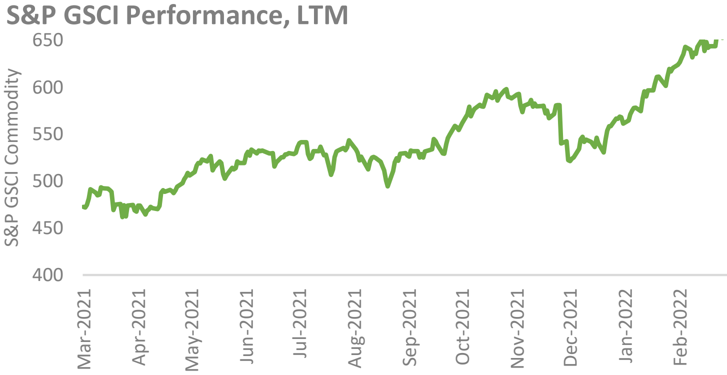
Source: Refinitiv

Commodity Highlights

- The S&P GSCI rose by 8.8% in February, predominantly impacted by higher oil and gas prices as a result of concerns about Europe's energy security, as well as Russia's role as a major metal supplier, the closure of international transportation routes, and the region's importance as a global grain supplier
- During the month, the Brent crude price rose by 10.7% to over US$100/bbl, and is now up almost 30% for the YTD
- A wide range of commodities were impacted during the month, including wheat (+21.6%), corn (+10.3%), aluminium (+11.7%), nickel (+8.0%), copper (+3.6%), lead (+6.0%), zinc (+2.3%), palladium (+5.9%). Aluminium prices reached record levels, and gold prices climbed over US$1,900/oz, with an increase high of 6.2% before retreating

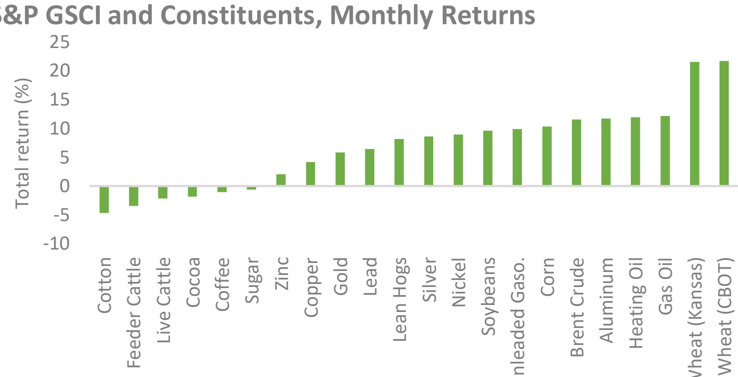
Source: Refinitiv, S&P Global Market Intelligence

S&P GSCI Performance, LTM



Source: Refinitiv

S&P GSCI and Constituents, Monthly Returns



Source: Refinitiv

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Precious Metals – gold, silver, palladium, platinum

- During the month of February, gold saw a resurgence in demand as a safe haven asset, reshaping its position in the commodities complex as it finished the month with a 5.8% increase to US$1,899.4/oz
- February was a risk-off month for most assets except for precious metals and commodities
- Although gold has historically performed strongly during periods of crisis, it may be compromised by tightening monetary policy and competition from alternatives such as cryptocurrencies
- The silver price rose by 8.8% in February, finishing the month at US$24.4/oz, driven by similar fundamentals to gold as a safe haven asset class
- S&P GSCI Palladium was one of the best performing commodity indices for the second month in a row, taking the YTD return to 30.9%
  - Palladium is an essential component of catalytic converters, with Russia the world's largest producer of the metal

Source: Refinitiv, S&P Global Market Intelligence

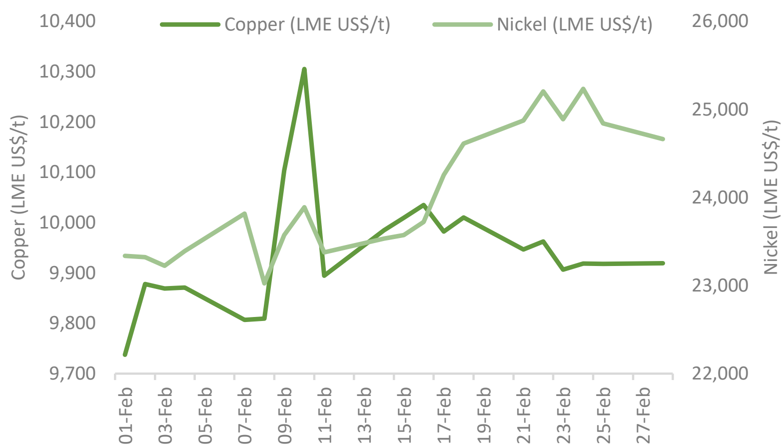
Source: Refinitiv

- The palladium price increased by 5.9% during the month to US$2,492.3/oz
- The platinum price increased by 2.4% during the month to US$1,046.9/oz

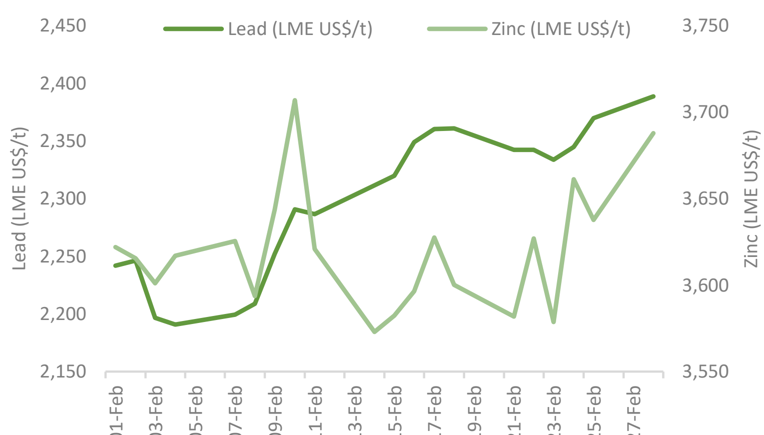
Base Metals – copper, nickel, lead, zinc

- Base metals performed strongly during February following a mixed January:
  - Copper: +3.6% to US$9,919.0/t;
  - Nickel: +8.0% to US$24,661.0/t;
  - Lead: +6.0% to US$2,388.5/t; and
  - Zinc: +2.3% to US$3,687.8/t
- As a result of fears over supply disruptions due to the Russia-Ukraine conflict and historically low inventories, copper prices spiked earlier in the month
  - Following the U.S inflation peaking to a 40-year high, copper futures traded modestly lower later in the month as traders liquidated bets
- Nickel prices surged to their highest level in over a decade due to soaring demand for electric cars, stockpile supply concerns as well as concerns regarding significant Russian nickel supply
- Due to the ongoing energy crunch, exacerbated by the Russia-Ukraine conflict, further disruptions in the supply of energy-intensive zinc could arise if European smelters decide electricity prices are too high to keep operations running

Source: Refinitiv, Trading Economics



Source: Refinitiv

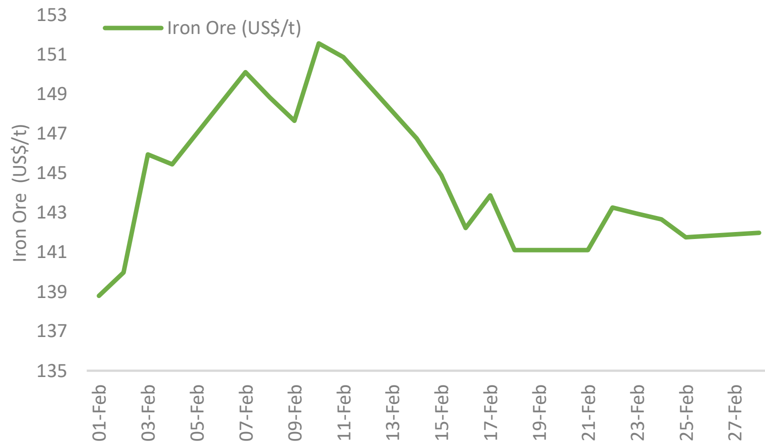


Source: Refinitiv

Bulks – iron ore

- The iron ore price (NYMEX 62% fines) gained 8.3% to US$141.9/t during the month of February
- Iron ore prices rose above US$150/t during the month, reaching their highest level since August last year, based on the expectation of increasing Chinese demand for infrastructure development
- Due to the Russia-Ukraine conflict, Chinese steel consumption is expected to increase overseas owing to the disruption of supply from both countries
  - Ukraine accounts for 4% of the global steel trade, while Russia accounts for 10%
- In the face of slowing economic growth, the government of China will renew its stimulus package for the infrastructure sector, which is expected to result in continued strong demand
- The Chinese state planner has ordered the country's major ports to prevent the "excessive hoarding" of iron ore aimed at reducing stockpiles and lowering iron ore prices as Beijing attempts to cool the market

Source: Refinitiv, AFR



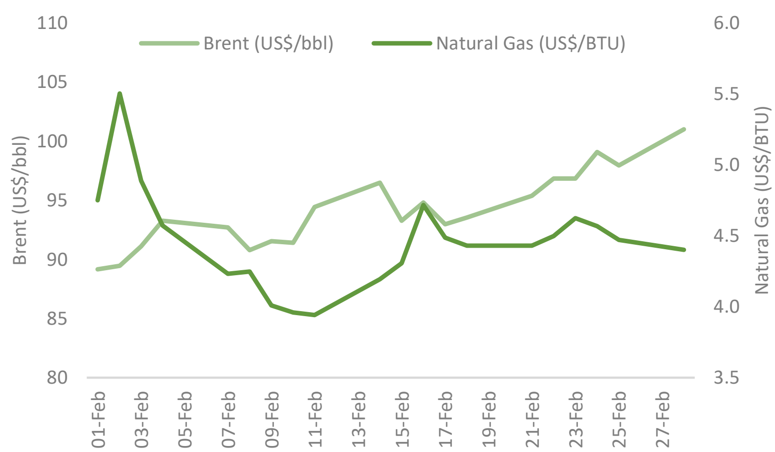
Source: Refinitiv, NYMEX-IRON ORE 62% SWAP TRc1

- A dividend worth US$16.8 billion is planned for Rio Tinto shareholders following the company's second-largest profit in Australian history
  - Rio has been operating in a strong environment since the commencement of COVID-19, which prompted many governments to announce infrastructure stimulus spending that increased demand for raw materials produced by companies like Rio and BHP

Energy – oil & gas

- The S&P GSCI Energy rose 9.7% over the month
- Europe's dependency on Russian energy supplies has been exposed by the conflict and is likely to expedite a move to alternative energy supplies, both conventional and renewable
- As the global economy is hampered by the risk of losing Russian supplies, the energy complex could remain volatile for an extended period
- Brent crude oil surpassed US$100 per barrel for the first time since 2014 by the end of the month after an avalanche of new economic sanctions and announcements by oil companies about exiting Russian operations
  - The prospect of a global release of crude stocks failed to moderate market sentiment
- Russian oil trade has been disrupted by sanctions against Moscow over Ukraine, as many buyers have shunned barrels from the world's second-largest crude exporter, even when energy exports have been exempt from sanction

Source: Refinitiv, S&P Global Market Intelligence, AMP Capital, Reuters



Source: Refinitiv

- Gas prices were volatile during the month, with the natural gas price (NYM-NATURAL GAS TRc1) retreating 9.7% during the month, however remains up by 18% for the year to date
- The flow of gas from Russia is crucial, with Europe relying heavily on Russian gas for energy as 40% of natural gas imports are from Russia
- Sanctions imposed have been designed so that the European gas supply has not been affected to date

Russian-Ukraine conflict sanctions

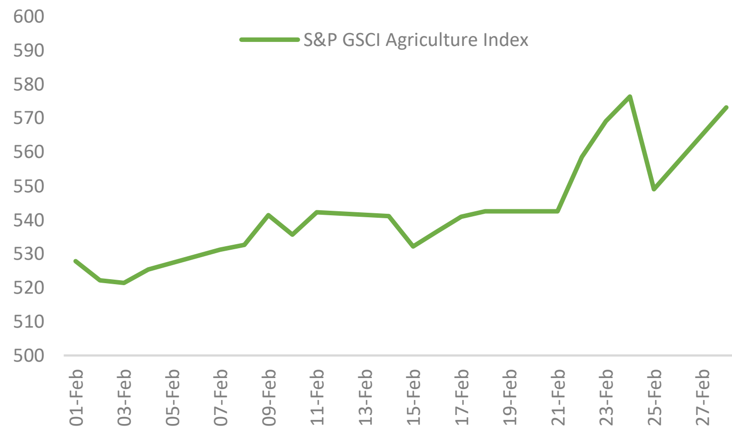
- As sanctions are imposed, Russia's links to a globalised world are unravelling. We expect to see widespread sanctions impacting various sectors and markets. As a result, many commodity markets may be impacted and prices may rise due to this uncertainty and global supply shortage concerns
- Soaring energy prices are expected to be the most prominent, a double supply shock as the world is recovering from the pandemic. Foreign investors are fleeing: Norway's sovereign wealth fund is selling, BP will sell its 20 percent stake in Rosneft, and Shell will move its LNG ventures out of Russia, which is likely just the beginning

Source: AFR

Agriculture

- The S&P GSCI Agriculture increased by 10.8% in February
- Ukraine is often referred to as the breadbasket of Europe, exporting 16% and 12% of the world's corn and wheat, respectively. The top world wheat supplier, Russia, accounts for 17% of global trade
  - There has already been significant disruption and dislocation of global grain markets as a result of the closure of ports, the restriction of commercial vessel movement, and the raft of economic sanctions imposed on Russia
- Exports from the Black Sea have been virtually halted amid heavy sanctions and restrictive measures from western economies
  - Additionally, the Ukrainian military ceased all commercial operations in Ukrainian ports

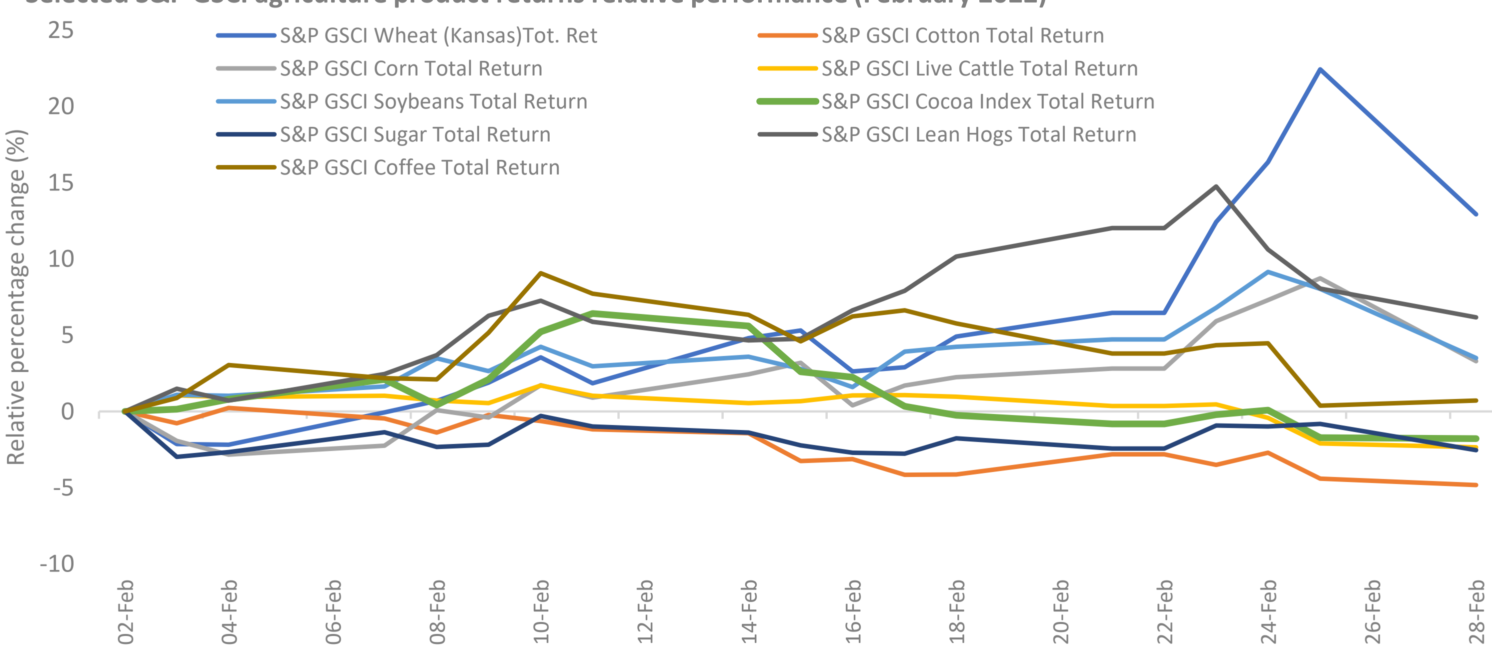
Source: Refinitiv, S&P Global Market Intelligence, Trading Economics



Source: Refinitiv

- Multinational food companies have closed their Russian facilities, including Bunge and ADM, while the world's largest container ship operator, Maersk/MSC, has stopped serving Russian ports
- Supply disruptions come amid an already tight market with low stocks of wheat in major exporting countries

Selected S&P GSCI agriculture product returns relative performance (February 2022)



Source: Refinitiv

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Eden Global Natural Resources UCITS Fund

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The Fund aims to achieve long-term growth by investing in equities in the global natural resources sector, incorporating the metals and mining, energy and agriculture sectors

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