Eden Partners

Monthly Market Insights

7 February 2022

January 2022

Monthly Market Insights, Review of January 2022

- Following a strong 2021, it was a weak start to the year for equity markets with the S&P 500 retreating 5.3%, the Dow Jones fell by 3.3%, the ASX 200 declined 6.4%, whereas the FTSE 100 increased by 1.1% for the month
  - A shifting focus in market expectations towards rising inflation and the prospects of increasing interest rates was the primary driver of market movements, sentiment and volatility during the month
  - Equity markets have largely priced in initial interest rate hikes following the recent hawkish shift from the Fed
  - Uncertainty surrounding the economic impact of the COVID-19 Omicron variant (including in China with its zero-tolerance policy) and geopolitical tensions regarding Russia-Ukraine have also added to market volatility
- January flash manufacturing PMIs in the U.S (55.0), the eurozone (59.0) and the U.K (53.6) were impacted by the latest Omicron wave however is expected to subside, supporting expanding economic activity
- The U.S unemployment rate was 3.9% in January, with the U.S labour market continuing its recovery during the month, revealing strong wage growth and 10.6 million job openings
- U.S consumer inflation gained 7% YOY in December, reported as the highest level since 1982
- Record fiscal stimulus has resulted in strong economic demand, followed by supply shortages, impacting prices
- We expect high levels of volatility to remain given the rising interest rate environment and Russia-Ukraine tensions

Market Metrics for January vs YTD

(5.3)% S&P 500 (January)	(5.3)% S&P 500 (YTD)	(3.3)% DJIA (January)	(3.3)% DJIA (YTD)	1.1% FTSE 100 (January)	1.1% FTSE 100 (YTD)	(6.4)% ASX 200 (January)	(6.4)% ASX 200 (YTD)
11.6% S&P GSCI (January)	11.6% S&P GSCI (YTD)	3.0% ASX200 Res (January)	3.0% ASX200 Res (YTD)	(1.8)% Gold (US$) (January)	(1.8)% Gold (US$) (YTD)	17.3% Crude/Brent (January)	17.3% Crude/Brent (YTD)

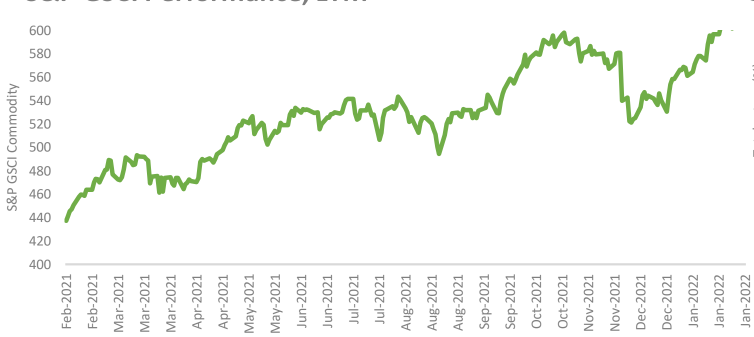
Source: Refinitiv, AMP Capital, JPM

Commodity Highlights

- The S&P GSCI rose 11.6% in January as strong inflation numbers has supported commodities leading into 2022
  - The largest mover was Brent oil, which rallied above US$90 per barrel for the first time in seven years, as investor appetite for inflation-sensitive assets remained elevated and the market agonised over Russia-Ukraine tensions
- Across the grains complex, corn and soybeans were supported by dry weather concerns in South America, which has the potential to boost demand for U.S crops later in the year
- During the month, Brent increased by 17.3% to US$91.2/bbl, iron ore (62% fines) gained 16.6% to US$131.2/t, base metals were mixed: copper (1.7)%, nickel +9.4%, lead (3.6)% and zinc +0.5%, gold decreased by 1.8% to US$1,795/oz and silver declined 3.6% to US$22.5/oz

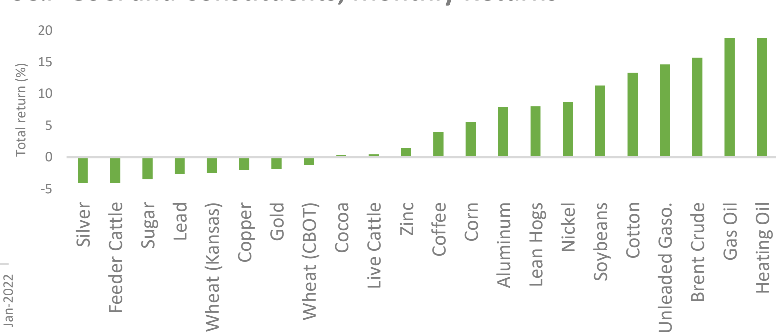
Source: Refinitiv, S&P Global Market Intelligence

S&P GSCI Performance, LTM



Source: Refinitiv

S&P GSCI and Constituents, Monthly Returns

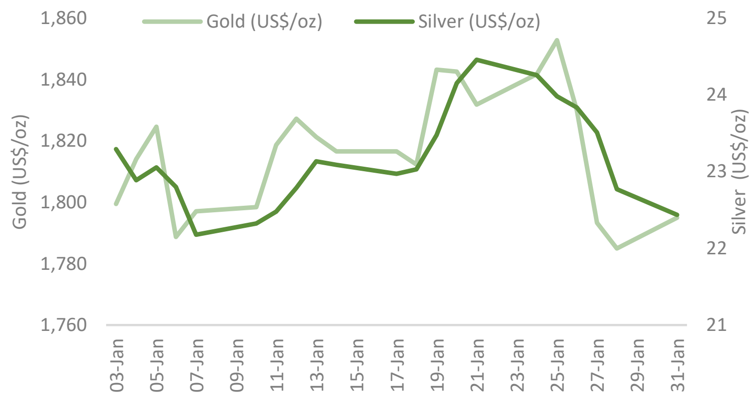


Source: Refinitiv

Precious Metals – gold, silver, palladium, platinum

- After 2021 showed the largest drop in six years, gold prices were down a further 1.8% in January to US$1,795/oz
- Inflation risks resulted in upside momentum of gold, reaching a high of US$1,853/oz in late January with the anticipation of the expected interest rate hike by the Fed
- Demand for gold was driven by concerns over the Russia-Ukraine tensions and rising inflation
- The FOMC meeting on the 26th stated the Fed soon expected to raise interest rates, reduce asset purchases and to end the purchases in March 2022
  - Following the statement, gold dipped as the U.S dollar boosted, and U.S Treasury yields increased
- Silver decreased by 3.6% to US$22.5/oz for the month
- Tensions between Russia and the West over Ukraine have heightened concerns over supplies of palladium used in catalytic converters

Source: Refinitiv, S&P Global Market Intelligence



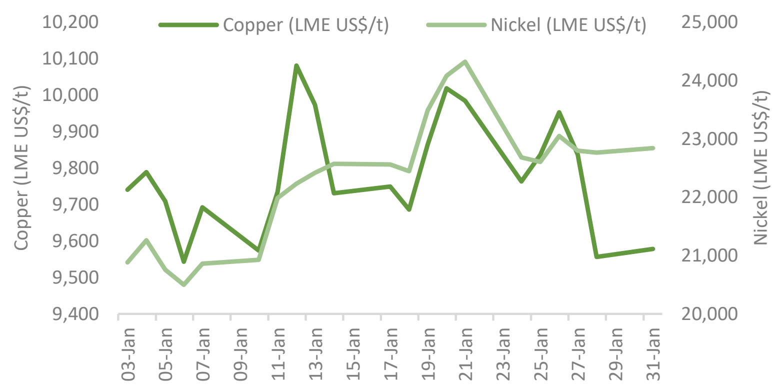
Source: Refinitiv

- The palladium price rallied by 24.1% during the month to US$2,352.6/oz
- The platinum price increased by 5.7% during the month to US$1,022.1/oz

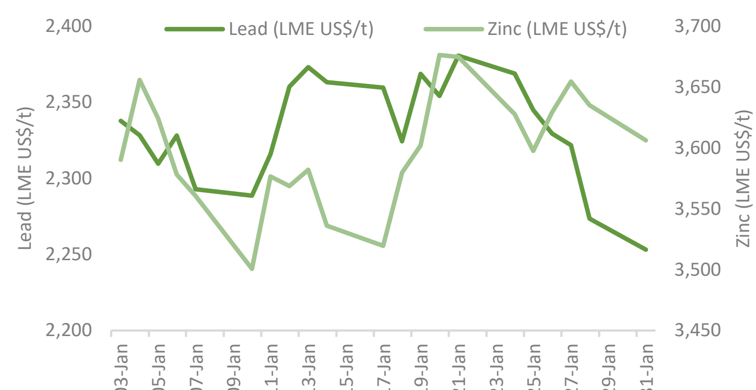
Base Metals – copper, nickel, lead, zinc

- Base metals prices were volatile during January with each metal reporting mixed performances:
  - Copper: (1.7)% to US$9,578.0/t;
  - Nickel: +9.4% to US$22,836.0/t;
  - Lead: (3.6)% to US$2,253.0/t; and
  - Zinc: +0.5% to US$3,606.0/t.
- The nickel market faced a supply side squeeze as inventories fall, raising prices to their highest since 2011, peaking on 21 January at US$24,320/t
  - The price rally was boosted by supply concerns and robust demand prospects regarding increased electric vehicle battery consumption
- Copper was volatile during the month, lifted by a weaker dollar in early January. Due to the prospects of central bank tightening, the U.S dollar boosted and investors' appeal in risky assets declined, resulting in the decline in the copper price during late January
- Zinc declined in early January as the metal demand fell due to concerns over Omicron, however bounced back following supply disruption concerns due to prolonged high-power prices

Source: Refinitiv



Source: Refinitiv

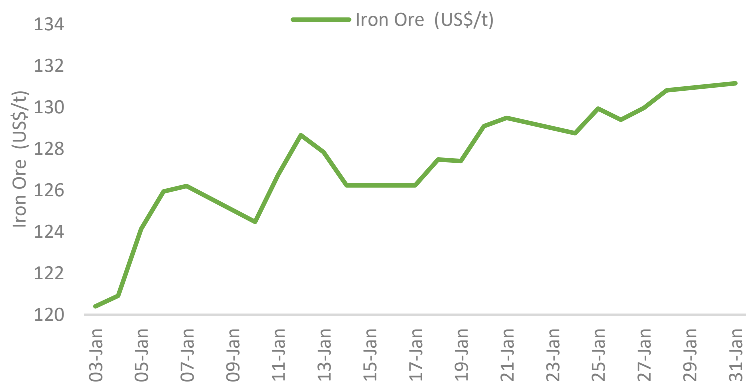


Source: Refinitiv

Bulks – iron ore

- The iron ore price (NYMEX 62% fines) rallied 16.6% to US$131.2/t during January
- The price has been boosted by signals of improving steel output in China and increased stimulus to fuel growth and infrastructure within the country
- Early in the month, prices rose significantly due to expectations of recovery in Chinese demand after the Beijing 2022 Winter Olympics
  - Prices were also well supported by restocking demand
- There were short supply squeezes due to reduction in steel production as mills slowed to reduce pollution, in line with China's blue-sky policy
- Prices eased over the month as demand weakened as most mills finished restocking iron ore at China's ports ahead of the Lunar New Year
- Iron ore markets also faced seasonal disruptions with Brazilian supplies facing floods and Western Australia's Pilbara iron industry faced challenges with a potential Omicron wave

Source: Refinitiv, AFR



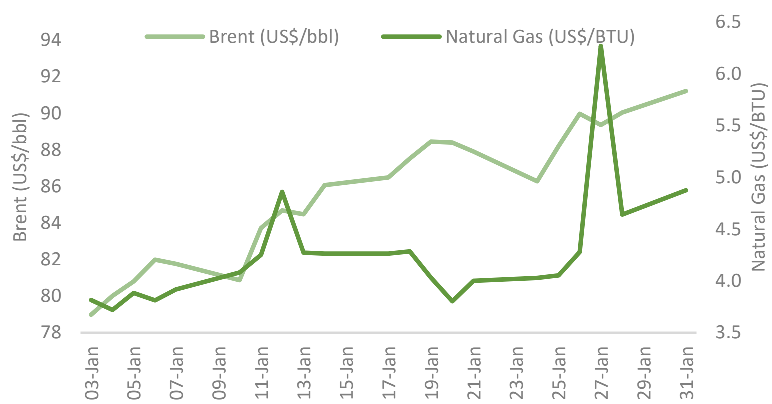
Source: Refinitiv, NYMEX-IRON ORE 62% SWAP TRc1

- Analysts have cautioned that iron ore's rally of consistent prices of above US$100/t are unstainable in the long run
  - The iron market has been supported due to seasonal disruption in supply and the aggressive stimulus in China as the government lowered interest rates to promote infrastructure and property spending

Energy – oil & gas

- The S&P GSCI Energy was up 18.4% over the month
- Brent oil surged above US$90 per barrel for the first time since 2015, increasing by 17.3% in January
  - Inflation-sensitive assets remained desirable by investors and the market faced uncertainty regarding the conflict between Russia and Ukraine
- OPEC+ is still planning to bring back 400,000 barrels per day of production each month between now and September
  - However, production increases are forecast to be closer to 200-250,000 due to underproduction and underperformance across several member countries
- Cold weather forecasts and signs of strong heating demand in the northern hemisphere boosted natural gas prices
  - The price hike on 27 of January was primarily due to the unexpected colder than normal weather forecast for the next two weeks in the U.S.

Source: Refinitiv, S&P Global Market Intelligence



Source: Refinitiv

- The S&P GSCI Natural Gas rallied 40.5% in January
- Global natural gas markets continued to be disturbed by geopolitical tensions and potential issues for Russian gas flows to Europe
- The European Commission and the U.S began investigating alternative gas supplies as tensions escalated between the West and Russia over Ukraine

Lithium

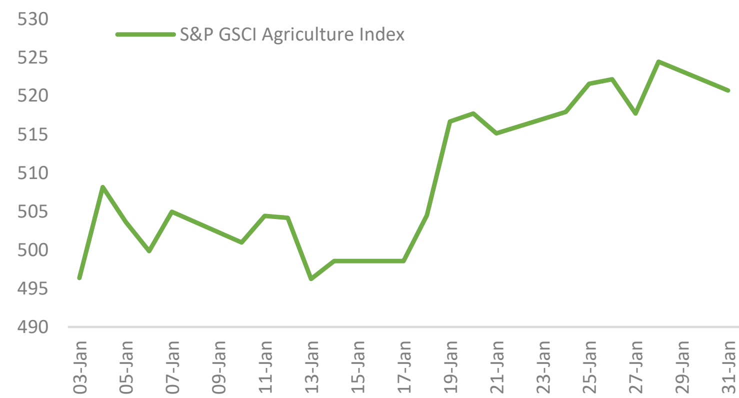
- Lithium prices surged c. 45.5% in January and continue to rise on strong demand prospects and tightening of supply
- In 2021, electric vehicle sales doubled globally with demand to continue upwards as countries mandate plans to transition to cleaner modes of transport to reduce carbon emissions
- The Benchmark Mineral Intelligence (BMI) reported extremely low inventory levels, prompting consumers to pay elevated prices, with lithium production struggling to keep up with demand

Source: Refinitiv, AFR, S&P Global Market Intelligence

Agriculture

- The S&P GSCI Agriculture increased by 4.4% in January
- Soybeans, cotton, lean hogs and corn outperformed this month, increasing by over 5%. Sugar was the biggest underperformer with more than a 3% decline
- Across the grain complex, corn and soybeans were impacted by concerns about dry weather in South America, which could boost market demand for U.S crops late in the current season
  - The Russia-Ukraine standoff poses a high risk of disrupting global wheat supplies, despite increased forecasts of global wheat supplies
- Cotton's strong performance is attributed to strengthening demand in sales as higher oil prices cause polyester, a substitute for cotton, more expensive

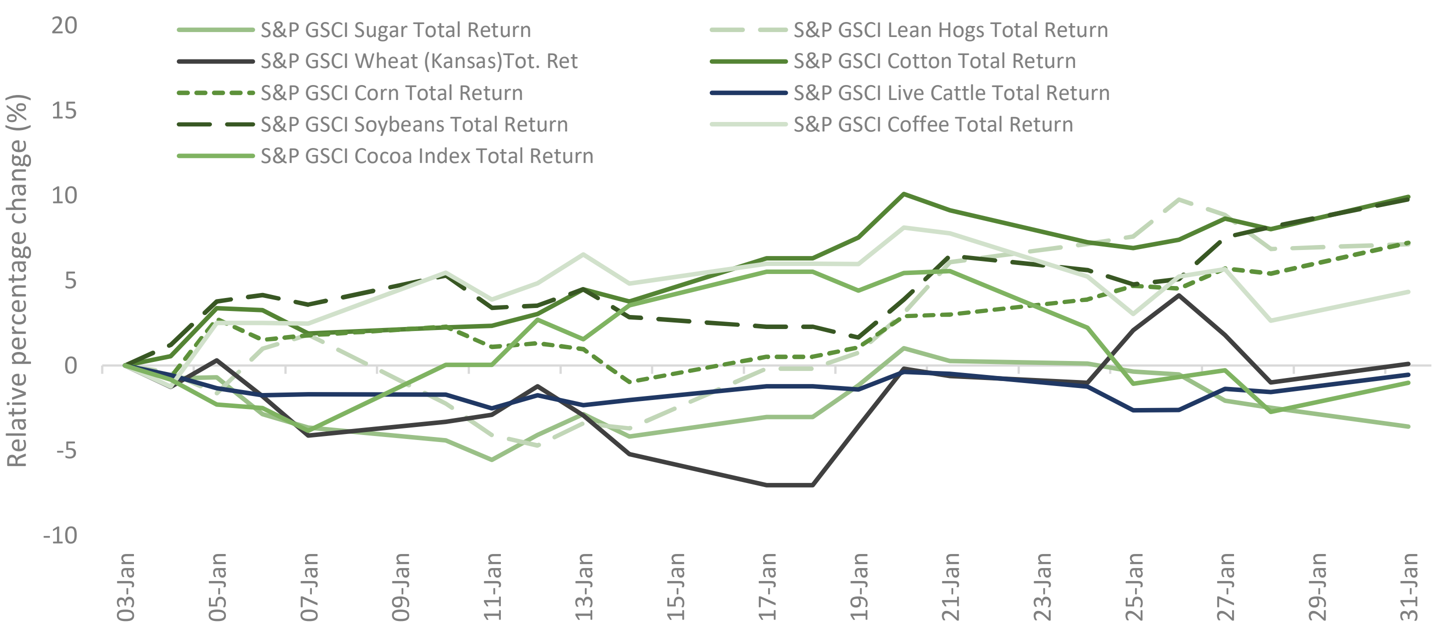
Source: Refinitiv, S&P Global Market Intelligence



Source: Refinitiv

- During the month, there was a rally in lean hog prices on the back of a slowdown in hog slaughter and robust demand in the U.S as employees returned to work, resulting in increased demand
- The sugar price decline was related to favourable production prospects to increase supply, and good harvest progress in major exporter countries

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



Source: Refinitiv

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Eden Global Natural Resources UCITS Fund

Eden Asset Management Pty Ltd is the Investment Manager of the Eden Global Natural Resources UCITS Fund (the "Fund"). The Fund is classified as an ESG Light Green Fund under Article 8 of the EU Sustainable Finance Disclosure Regulation ("SFDR")

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

ESG considerations are core to Eden's investment process, and potential investments which do not meet required ESG measures will be excluded from the Fund's investment universe. Eden employs a combination of negative/exclusionary screening, positive/best-in-class screening, ESG integration, and corporate engagement plus shareholder action