Eden Partners

Monthly Market Insights

14 April 2022

March 2022

Monthly Market Insights, Review of March 2022

- Global share markets remained volatile going into March 2022, with the Russian invasion of Ukraine escalating early in the month and peace negotiations not yielding results. Significant global Russian sanctions in several major jurisdictions were put in place during the month in response to the Ukraine conflict
- Equities bounced back strongly mid-March, before retreating again towards the end of the month
  - The S&P 500 increased by 3.6%, the Dow Jones gained 2.3%, the ASX 200 rose by 6.4%, and the FTSE 100 increased by 0.8% for the month of March
- Global investment grade bonds also declined during the month due to concerns over the economic implications of the Russian invasion of Ukraine and the potential need for the Federal Reserve to raise interest rates faster in order to combat higher inflation
- Russia's role as a major energy producer and the conflict in the region has caused energy and commodity prices to surge, leading to higher inflation, supply chain disruptions, and risks to global economic growth
- Additionally, global markets were adversely affected by China's latest Omicron outbreak and its aftermath of lockdowns in Shanghai, Shenzhen, and other major cities. Plant shutdowns exacerbated global supply and demand constraints in some key sectors
- In line with expectations, the Fed raised interest rates by 0.25%, signalling further increases would be appropriate

Market Metrics for March vs YTD

3.6% S&P 500 (March)	**(5.0)%** S&P 500 (YTD)	**2.3%** DJIA (March)	**(4.6)%** DJIA (YTD)	**0.8%** FTSE 100 (March)	**1.8%** FTSE 100 (YTD)	**6.4%** ASX 200 (March)	**0.7%** ASX 200 (YTD)
9.6% S&P GSCI (March)	**33.1%** S&P GSCI (YTD)	**9.2%** ASX200 Res (March)	**16.4%** ASX200 Res (YTD)	**2.6%** Gold (US$) (March)	**6.7%** Gold (US$) (YTD)	**6.9%** Crude/Brent (March)	**38.7%** Crude/Brent (YTD)

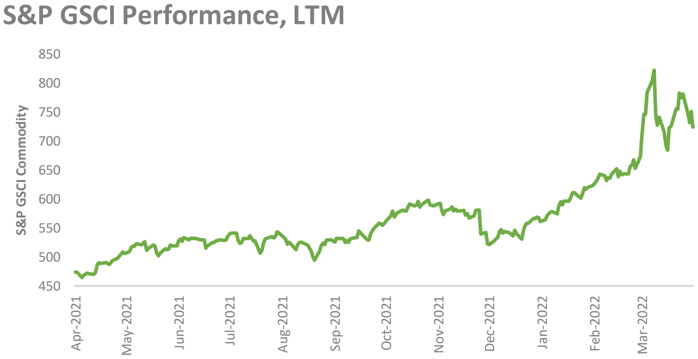
Source: Refinitiv, S&P Global Market Intelligence, JPM

Commodity Highlights

- The S&P GSCI recorded its best quarterly performance in decades, as inflation readings reached decade-high levels. Following a rise of 8.8% in February, commodities rose by 9.6% in March, driven largely by surging oil & gas prices
- The two main factors driving the broad-based increase in commodity prices were geopolitical conflict and inflation
- A wide range of commodities performed strongly during the month (S&P GSCI Constituents), including nickel (+31.1%), zinc (+14.2%), cotton (+14.0%), sugar (+10.2%), wheat (+8.1%), copper (+4.7%), gold (+2.6%)
- Gold and silver prices posted solid gains during the month, amid the volatility in other sectors as a result of its safe-haven status and a more cautious U.S Fed tightening expectations

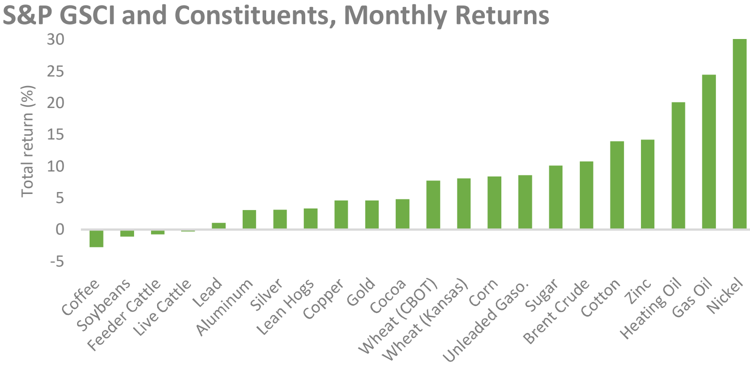
Source: Refinitiv, S&P Global Market Intelligence

S&P GSCI Performance, LTM



Source: Refinitiv

S&P GSCI and Constituents, Monthly Returns



Source: Refinitiv

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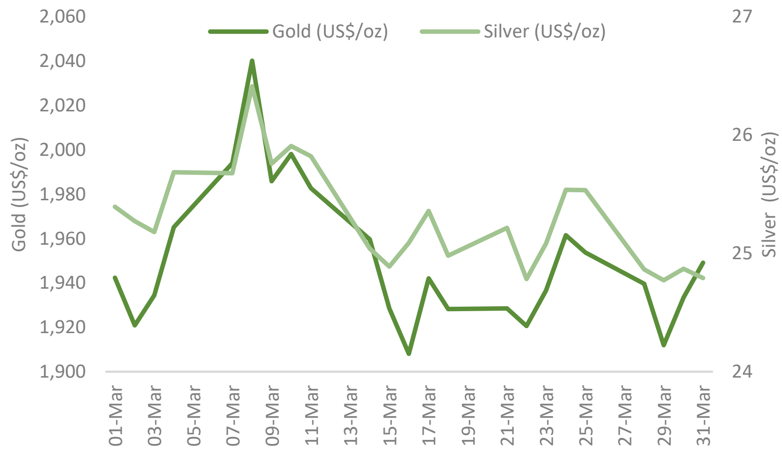
Precious Metals – gold, silver, palladium, platinum

- The gold price was volatile during March, responding to major geopolitical and economic events
  - On 8 March the gold price reached a high of US$2,040.1/oz aided by its safe haven status, before retreating to finish the month at US$1,949.2/oz
- A hawkish stance by the central bank lifted the dollar and pushed yields on Treasury bonds to multi-year highs, pressuring gold prices
- The silver price rose by 1.4% in March, based on similar fundamentals to gold, finishing the month at US$24.8/oz
- The palladium price declined by 9.1% during the month to US$2,264.4/oz
- The platinum price declined by 5.7% during the month to US$986.9/oz

Source: Refinitiv, S&P Global Market Intelligence

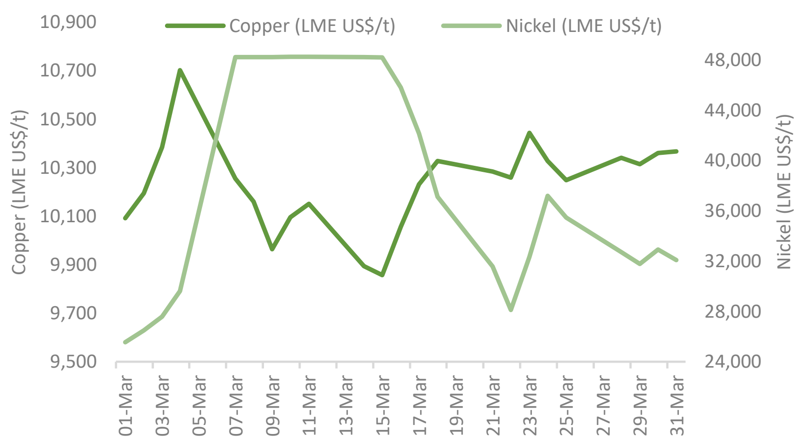


Source: Refinitiv

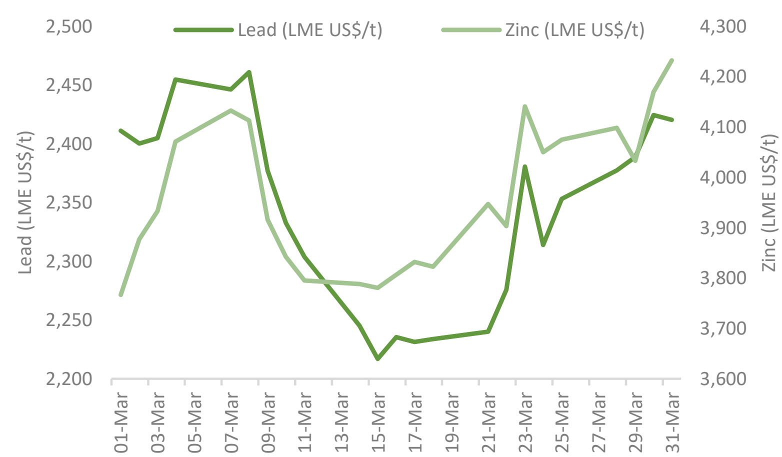
Base Metals – copper, nickel, lead, zinc

- Base metals performed strongly in March:
  - Copper: +4.5% to US$10,367.5/t;
  - Nickel: +30.1% to US$32,093.0/t;
  - Lead: +1.3% to US$2,420.5/t; and
  - Zinc: +14.8% to US$4,232.5/t.
- Inventories of base metals in London Metal Exchange warehouses plummeted to critically low levels, sparking fresh concerns of a spike in prices
- The nickel price spiked in early March to one of its highest levels in the contract's history after trading was suspended after a significant short squeeze
  - Nickel spiked briefly above US$100,000/t amid a short squeeze that has embroiled a major Chinese bank and encouraged rule changes from one of the world's top commodity exchanges
- Zinc prices were volatile and rose in the wake of a slowdown in smelter production and exchange stocks falling to 15-year lows
- Early March saw copper futures trade high amid a tight market as investors assess the impact of the demand and supply in China due to the latest Covid outbreak, disruptions caused by the war in Ukraine, and a decrease in supply from the top producer Chile

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



Source: Refinitiv

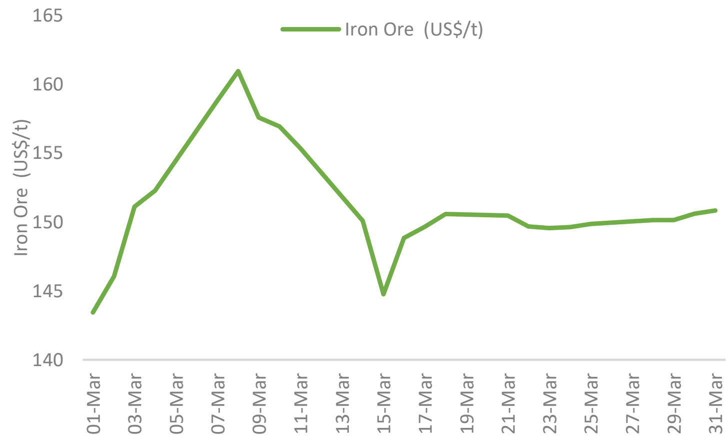


Source: Refinitiv

Bulks – iron ore, coal

- The iron ore price (NYMEX 62% fines) gained 6.2% to US$150.8/t during March
- Iron ore prices rose early in the month as investors expected robust demand/tight supply following the crisis in Ukraine as well as on the expectation that Chinese COVID-19 related restrictions would be eased
- Due to transportation disruptions caused by lockdowns in top steelmaking city Tangshan, most producers cut production amid material shortages
- Prices were also supported by expectations that Chinese economic stimulus will be increased and signs that the country's industrial sector will remain resilient
- Later in the month, whilst domestic steel demand has been hit harder than production so far, S&P Global Platts said that prices of the material have remained stable as the market anticipates a strong recovery in construction and manufacturing activities in April, when infections are expected to stabilise

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



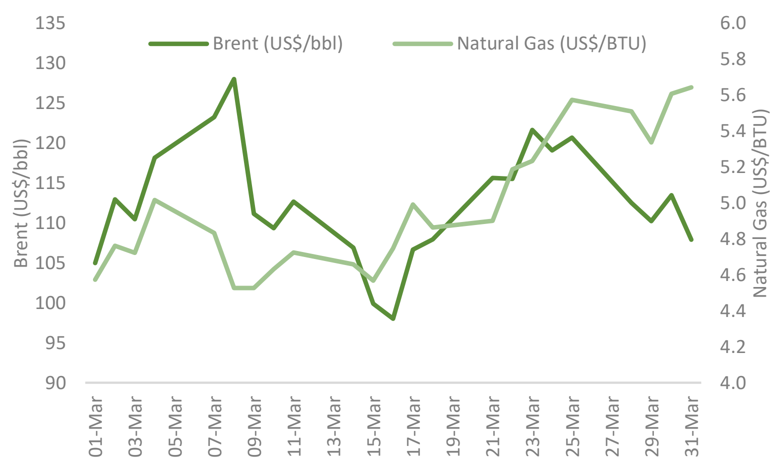
Source: Refinitiv, NYMEX-IRON ORE 62% SWAP TRc1

- It is expected that China will see its coal output grow further in 2022 after hitting a record last year, as the country will need to consume more of the dirty fossil fuel to power its economic growth
  - China consumed a historically high 4.07 billion tonnes in 2021 after Beijing sought to tame the runaway coal prices and to ease a nationwide power crunch in the second half of the year

Energy – oil & gas

- The S&P GSCI Energy rose during the month with an increase of 12.5%, and Brent at US$107.9/bbl
- Energy prices remained volatile during the month as the Russian-Ukraine tension escalated, causing major disruptions in supply
- The unprecedented run-up in prices from already high levels was the latest marker of just how rapidly the impact of the war in Ukraine is coursing through Europe's economy
- A record amount of emergency oil was released from the Strategic Petroleum Reserve by the U.S as a result of uncertain supply from Russia, the world's largest natural gas exporter and the third largest oil exporter
  - Oil companies are being challenged by President Joe Biden to drill more in an attempt to bring down rising gasoline prices
- Due to dependence on Russian energy, Germany initiated an emergency plan leading to rationing
  - Germany, the largest consumer of Russian energy in Europe, aims to cut half its imports of Russian oil and coal this year, and is targeting to end its dependency on Russian natural gas by mid 2024

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



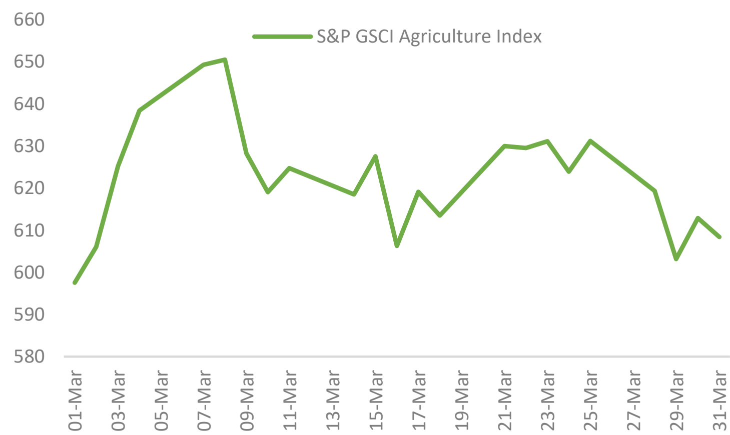
Source: Refinitiv

- As a result of spiralling energy costs, the European's economic recovery has been hindered from recovery on the back of the pandemic
- In Australia, the federal government has been asked to cut an excise on petrol and diesel worth $20.8 billion, to ease pressure on fuel prices, in the upcoming federal budget

Agriculture

- S&P GSCI Agriculture increased by 6.2% with cotton and sugar rising by double digits, whilst the prices of coffee and soybeans declined
- During March, the S&P GSCI Corn rose by 8.4%, while the S&P GSCI Wheat rose by 7.8%
  - Both grains were major exports from Russia and Ukraine, however the conflict has caused disruption in shipments and access to Black Sea ports has been closed
- Egypt depends heavily on wheat imports, with 80% coming from that region
  - As a result of delayed shipments, the country sought alternative countries, such as the U.S
  - U.S wheat supplies are at their lowest level in 14 years
- Cotton rallied to a near eleven-year high over supply concerns and hopes for stronger overseas demand for U.S cotton exports

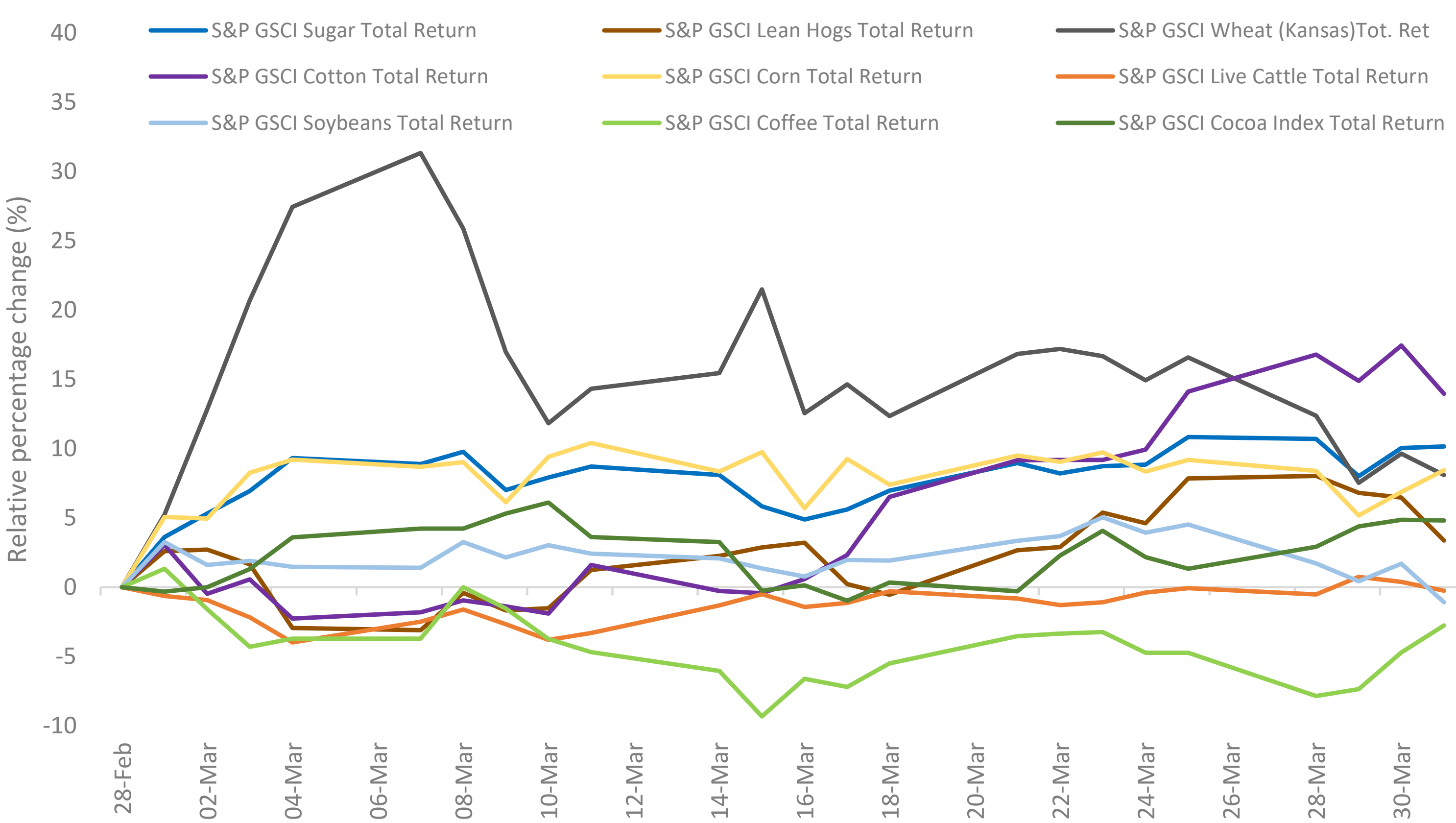
Source: Refinitiv, S&P Global Market Intelligence, Trading Economics



Source: Refinitiv

- The price of sugar rose amid high hydrous ethanol prices and the strengthening of the Brazilian real
  - Brazilian mills used sugarcane for biofuels instead of raw sugar as a result of rising energy prices

Selected S&P GSCI agriculture product returns relative performance (March 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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