



Our Economy and The World

The Weekly Report

Issue: 122 Date: 11th November 2018

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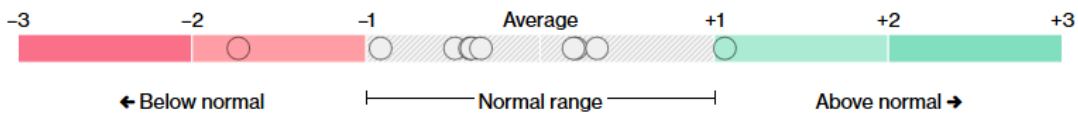
Key Global and Regional Developments over the Past Week

Bloomberg: Global trade tracker – steady, but for how long?

It’s a calm before the storm as the trade war deepens—key gauges of global trade remain near their long-run averages in the latest data. The U.S. and China are now imposing tariffs on some \$360 billion in two-way trade, forcing companies to re-evaluate supply chains and economists to warn of an economic drag ahead.

How the indicators compare 📊

Latest data available for shipping, sentiment and export volume indicators, z-scores*



Shipping

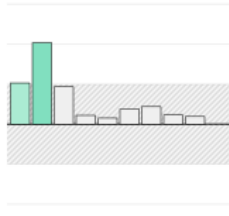
Port of LA Cargo



Jan. 2018 Sept.

Processes about 40% of the world's containers

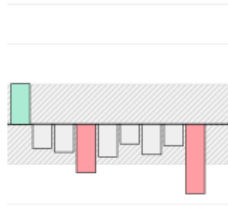
Singapore Throughput



Jan. 2018 Sept.

World's second-busiest port by volume

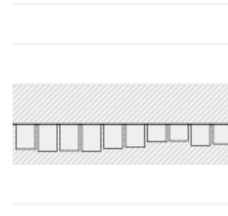
Hong Kong Air Cargo



Jan. 2018 Sept.

Biggest hub for international air cargo

Baltic Dry Index



Jan. 2018 Oct.

Tracks changes in cost of moving raw materials

[Read the full article](#)

Reuters: Japan third-quarter GDP seen shrinking on natural disasters, overseas economic slowdown: Reuters poll

Japan’s economy was expected to shrink in the third quarter after natural disasters disrupted production and a slowdown in overseas demand undermined exports, a Reuters poll found on Tuesday. Strong typhoons in western Japan and a powerful earthquake in the northern island of Hokkaido forced some factories and major airports to close temporarily. Analysts believe Japan’s economy will recover from the setbacks caused by the quarter’s natural disasters, but see risks to growth from declining momentum in the global economy.

[Read the full article](#)

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[Reuters: China to strengthen supervision on blockchain-related financing, investment](#)

China's central bank said bubbles in blockchain financing are apparent, and that the government should strengthen supervision to fend off financial risks. Speculation, market manipulation and other irregularities in blockchain-related investment and financing are common in the country, the central bank said in a working paper released on Tuesday.

[Read the full article](#)

[Reuters: ECB keen to keep investors on side as stimulus reaches final act: sources](#)

European Central Bank policymakers are leaning towards minimal changes to how cash is spent in the final act of their stimulus program as they try to keep edgy bond investors on side, five sources close to the matter said. With fresh purchases in the ECB's 2.6 trillion euro (\$3 trillion) bond-buying scheme due to end in December, policymakers still have to finalize how and where to reinvest the proceeds of bonds that mature from January.

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Special Analysis: World Bank Commodity Market Outlook October 2018

Commodity prices in the third quarter of 2018 were buffeted by geopolitical and macroeconomic events. Energy prices gained 3 percent in 2018 Q3 (q/q), partly in response to the impending re-imposition of sanctions on Iran by the United States along with continuing declines in production in Venezuela. As a result, crude oil prices are expected to average \$72 per barrel (bbl) in 2018 (up from \$53/bbl in 2017) and \$74/bbl in 2019. This represents a sizable upward revision from the April 2018 forecast. Moreover, risks to the oil price forecast are to the upside in the short-term, given the recent decline in spare capacity. In contrast, metal and agricultural prices declined 10 and 7 percent, respectively, in the third quarter of 2018 amid robust supplies and trade disputes. Metal prices are expected to stabilize in 2019 whereas agricultural prices are expected to gain almost 2 percent. This edition also examines how energy and metal commodity markets have evolved over the past 20 years. It shows that China has been the main driver of commodity demand growth, particularly for coal and metals, but that its demand is likely to slow while other emerging market economies are unlikely to emulate China.

Recent trends

Commodity prices have been driven by a number of factors this year, including commodity-specific supply disruptions, rising U.S. interest rates, an appreciation of the U.S. dollar, growing trade tensions between major economies, and financial market pressures in some emerging market and developing economies (EMDEs).

Energy prices rose 3 percent in the third quarter of 2018 (q/q) and are more than 40 percent higher than the same period in 2017, with strong gains in oil, coal, and natural gas. Oil prices were volatile in the third quarter of 2018, with the price of Brent reaching a low of \$70/bbl in August, before peaking at \$86/bbl in early October. The increase in prices partly reflected continued production losses in Venezuela, and concerns that the reintroduction of sanctions on the Islamic Republic of Iran by the United States may have a greater than-expected impact on Iranian oil production and exports. Production increases by other members of the Organization of Petroleum Exporting Countries (OPEC), as well as the Russian Federation, are expected to partly offset this decline. Coal and natural gas prices have been supported by strong demand for electricity in Europe and Asia resulting from unusually hot temperatures.

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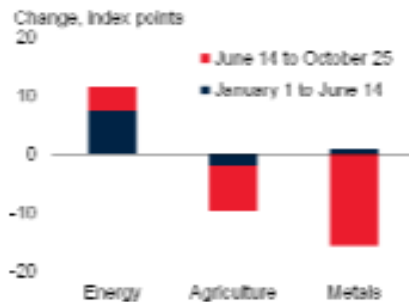
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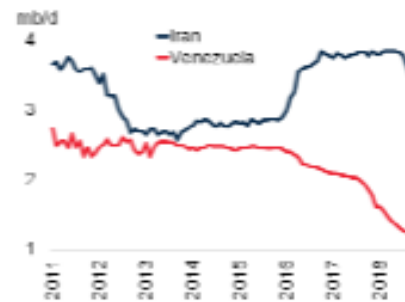
FIGURE 1 Commodity market developments

Energy prices have risen this year, supported by supply concerns, while growing U.S.-China trade tensions weighed on global growth prospects and depressed metals prices. Agricultural prices softened on strong supply with the exception of wheat. Over the past two decades, China has become the most important source of demand in commodity markets.

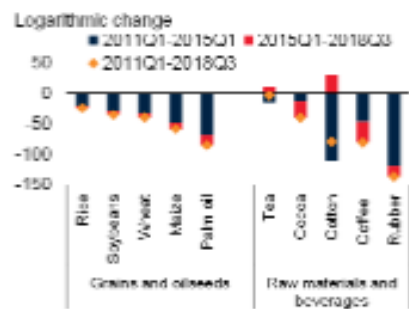
A. Change in commodity price indexes



B. Oil production of Iran and Venezuela



C. Price changes of key agricultural commodities



D. Share of global commodity demand



Sources: Bloomberg, BP Statistical Review, IEA, USDA, World Bank, World Bureau of Metal Statistics.

A. Bars denote change in index levels, where January 1, 2018 = 100.

B. Last observation is September 2018.

C. Price changes are expressed in logarithmic terms to ensure symmetry between positive and negative changes.

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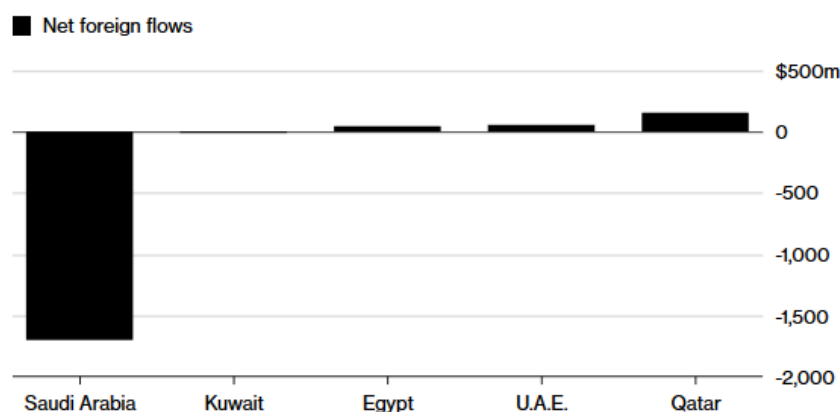
Recent Developments in Financial and Commodity Markets

Bloomberg: \$1.7 Billion Flew Out of Saudi Markets Last Month

Record foreign selling of Saudi Arabian stocks in the wake of last month's killing of government critic Jamal Khashoggi put the breaks on a 10-month streak of international investments in the Middle East's five biggest stock markets. Net foreign outflows from Saudi Arabia were \$1.7 billion, while most other markets had inflows, according to a report by Mohamad Al Hajj, a strategist at the research arm of EFG-Hermes Holding SAE in Dubai. Total outflows from the region were \$1.4 billion.

Exit From Riyadh

Saudi Arabia led stock outflows by foreigners in the region last month



Source: EFG-Hermes

[Read the full article](#)

Bloomberg: Saudis Raise Asia Crude Pricing as U.S. Puts Curbs on Iran

Saudi Arabia raised pricing for the Medium and Heavy crudes it sells to Asia, a sign that OPEC's biggest producer sees robust demand for the grades as it boosts output to offset the impact of energy sanctions on Iran. State-owned Saudi Aramco increased its official selling price for December sales of Medium crude to Asia by 20 cents, to 70 cents a barrel more than the Middle East benchmark, the company said Monday in an emailed statement. That puts the Medium grade at its highest premium since January 2014.

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