

Commodity prices are surging amidst equity-market turmoil

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7 Mar 2022

Commodity prices are surging while there is risk aversion and turmoil in currency and equity markets...



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Rand update

We begin the new week with massive risk aversion and turmoil in currency and equity markets while commodity prices are surging.

The worsening situation in Ukraine and talks of an embargo on Russian oil has seen oil up near \$140.00 and raised fears of a recession in Europe and a weakening in global economies, including the US.

Emerging markets' currencies are on the back foot this morning, with the rand trading at R15.40 while we see the Indian Rupee and Russian Ruble hitting all-time weakest levels.

The R15.50-level is still holding, but with increased volatility expected, we could see a break and possible test of the R15.75 area.

Commodity update

Commodity prices are all higher, with Palladium and Nickel hitting new record highs while Copper is marginally below its record high. Gold briefly touched \$2,000 this morning and is currently at \$1,985, Platinum is up 2.2% at \$1,148, and Palladium is 5.5% stronger at \$3,162. Brent is currently trading off its best levels of the day at \$130.10, while WTI is at \$125.70. Brent nearly hit \$140.00 earlier this morning, and the all-time high of \$147.50 is now well within reach.

International update

Fears of a recession in Europe and a contraction in global economic growth have seen a flight to the safe-haven dollar and a sell-off in the euro and pound. The euro is currently quoted at 1.0875 after touching 1.0822 earlier this morning, while the pound is quoted at 1.3210 after hitting 1.3186 earlier. The stronger dollar has pushed the DXY index up to 98.88 today.

US Treasury yields are trading lower despite Friday's strong payrolls and employment numbers as markets weigh up the risk of a slowing US economy due to the Russia/Ukraine conflict.

Equity markets are under tremendous pressure. Wall Street closed weaker last week, and the US futures have opened over 1.0% in the red this morning. Asian markets are well down this morning, with the Nikkei losing 2.78%, the Hang Seng down 3.09%, and the Shanghai down 1.70%.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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