

Commodity markets end 2011 with a whimper

Written by AFP / The Swedish Wire

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LONDON, December 30, 2011 (AFP) - Global commodity prices mostly fell this year on worries that the ongoing eurozone debt crisis and a potential global economic slowdown would hammer demand for raw materials.

"Commodity prices are ending 2011 with a whimper," said Capital Economics analyst Julian Jessop, noting that crude oil and gold were the only raw materials to register significant increases.

"This has been a year of two parts for commodity markets, with broad-based strength in the first four months, led by oil, giving way to general weakness since May," Jessop added.

"Commodity prices have also continued to track other riskier assets, such as equities."

The standout performer however was gold, which set a record peak in September as investors rushed to snap up the precious metal that is regarded as a safe haven in times of economic uncertainty.

And oil also finished the year in positive territory as the market was lifted by unrest in the oil-producing Middle East and North Africa region.

Many global financial markets suffered losses this year as the eurozone debt crisis showed no sign of abating.

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"What a difference a year makes. This year's Christmas tree looks like it has been ravaged by the storm of European sovereign debt," said Barclays Capital analyst Roxana Mohammadian-Molina.

"2011 was the year when commodity markets fell back sharply under the weight of rapidly deteriorating sentiment among market participants.

"A number of headwinds kept a lid on commodities prices throughout the year, from the European debt crisis and fears of contagion through to worries on a China hard-landing."

OIL: Prices rose by about 13 percent in London and nine percent in New York this year, but fell this week in volatile holiday-shortened trade before the New Year break.

Unrest in the crude-producing Middle East and North Africa region had sparked hefty price gains earlier this year amid the so-called Arab Spring.

London Brent oil surged as high as \$127.02 per barrel in April and New York crude hit a two-and-a-half year peak at \$114.83 in early May.

Prices soared after popular uprisings toppled the long-standing leaders of Tunisia, Egypt and Yemen, while unrest also rocked other parts of the oil-rich region -- especially key crude producer Libya.

Libya was producing about 1.4 million barrels per day of mostly high-value light sweet crude before the uprising at the start of the year. Around 85 percent of Libyan output was exported to Europe, and the break in supply contributed to the surge in Brent prices.

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The oil market has since trimmed gains in the face of a strong dollar, spreading global economic gloom and contagion fears arising from the eurozone crisis.

Investors are also worried about a sharp economic slowdown in China -- which is the world's biggest energy consumer.

Heading into 2012, traders remain on alert over tensions surrounding key crude producer Iran. A showdown between Iran and the United States over Tehran's threats to close the Strait of Hormuz -- a critical passage for more than a third of the world's oil -- is a key factor influencing prices.

By Friday on London's Intercontinental Exchange, Brent North Sea crude for delivery in February dipped to \$107.02 a barrel compared with \$107.72 a week earlier.

On the New York Mercantile Exchange, West Texas Intermediate (WTI) or light sweet crude for February stood at \$98.99 a barrel compared with \$99.63.

PRECIOUS METALS: Gold scored a record peak this year but has since fallen heavily on profit-taking and the stronger dollar.

"The deepening of the sovereign crisis in Europe since mid-year has had a profound impact on investors' risk appetite and there has been widespread liquidation across assets," said BNP Paribas analyst Anne-Laure Tremblay.

"Uncertainty means that key investors are largely remaining on the sidelines.

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"Crucially though, despite recent heavy losses, we do not believe that the gold bull market is over. We are still positive towards the gold price in 2012 and 2013."

Gold, which in September hit a record high above \$1,900 an ounce, has also tumbled in the final quarter of 2011 mainly due to a rising dollar.

A strong greenback makes dollar-denominated commodities like gold more expensive for buyers holding rival currencies, denting demand and prices.

The precious metal has still won more than 10 percent this year, after racking up a 30-percent gain in 2010.

By Friday on the London Bullion Market, gold sank to \$1,574.50 an ounce from \$1,607.54 the previous week.

Silver eased to \$28.18 an ounce from \$29.22.

On the London Platinum and Palladium Market, platinum fell to \$1,381 an ounce from \$1,436.

Palladium retreated to \$636 an ounce from \$653.

BASE METALS: Base or industrial metals fell by about 20 percent this year and traded within a narrow range this week before the year-end.

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"Metals are going to end the year in consolidation mode," said Fast Markets analyst William Adams.

"Overall we expect the downward trends to dominate over the medium term," he added.

By Friday on the London Metal Exchange, copper for delivery in three months fell to \$7,555 a tonne from \$7,648 the previous week.

Three-month aluminium nudged down to \$2,003 a tonne from \$2,020.

Three-month lead eased to \$2,007 a tonne from \$2,013.

Three-month tin fell to \$18,900 a tonne from \$19,400.

Three-month zinc edged down to \$1,857 a tonne from \$1,866.

Three-month nickel decreased to \$18,360 from \$18,802 a tonne.

COCOA: Prices tumbled 30 percent this year, after initially spiking on worries about the impact of violence in key producer Ivory Coast.

"Since its rally in early 2011 triggered by the political unrest in main growing country Ivory Coast, the cocoa price has collapsed from its 32-year high," said Commerzbank analysts.

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"Meanwhile, it is clear that concerns about a supply shortage were unfounded. In fact, a record harvest of 1.5 million tonnes has recently been achieved in the Ivory Coast."

Prices extended losses this week on the back of the strong dollar, in line with other commodities.

By Friday on LIFFE, London's futures exchange, cocoa for delivery in March dropped to £1,355 a tonne from £1,414 a week earlier.

In New York on the NYBOT-ICE, cocoa for March slid to \$2,076 a tonne from \$2,217.

COFFEE: Coffee futures sank by six percent in New York and by 20 percent in London this year, but steadied this week as traders eyed low stocks.

"The global coffee market has been in deficit for years, and at best the forthcoming 2012/13 season could end with supply and demand roughly in balance," added Commerzbank analysts.

"Stock levels have been falling for years to a very low level. All of these factors should keep the price of Arabica coffee relatively high."

By Friday on NYBOT-ICE, Arabica for March rose to 225.80 US cents a pound from 220.75 cents.

LIFFE, Robusta for delivery in March eased to \$1,806 a tonne compared with \$1,845 a week earlier.

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SUGAR: Prices finished 2011 on a downward trend, and have dived by more than 20 percent during the year, partly because of on expectations of a significant sugar surplus.

By Friday on NYBOT-ICE, the price of unrefined sugar for delivery in March slipped to 23.22 US cents a pound from 23.55 cents a week earlier.

On LIFFE, the price of a tonne of white sugar for March dipped to \$603.30 from \$610.20.

RUBBER: Rubber slipped this week on profit-taking activities as traders were adjusting their positions ahead of the New Year holiday.

The Malaysian Rubber Board's benchmark SMR20 fell to 326.60 US cents a kilo from 337.25 cents the previous week.