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# THE WORLDONOMICS TIMES

**BUILDING A BRIGHTER FUTURE TOGETHER**

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## POLITICAL AND ECONOMIC STABILITY

## MARKET AND ECONOMY

# DECODING THE LABYRINTH: WORLDONOMICS TIMES JULY EDITION UNVEILS THE NUANCES OF A SHIFTING GLOBAL LANDSCAPE

The global economy, a complex and ever-evolving labyrinth, presents both challenges and opportunities for nations and individuals alike. In this dynamic landscape, Worldonomics Times serves as your trusted guide, offering insightful analysis and expert perspectives through its July publication.

## A Multifaceted Approach to Economic Understanding:

Worldonomics Times distinguishes itself by providing a holistic view of the economic sphere. From the sweeping trends of macroeconomics to the intricacies of specific sectors, readers gain valuable knowledge from articles penned by renowned economists and industry leaders. Whether you seek to understand how geopolitical tensions impact financial markets or explore the potential disruptions of Web3 technologies, Worldonomics Times equips you with the information you need to navigate this intricate system.

## Spotlight on the Latest: Central Banks and Cryptocurrencies:

The July edition places a particular focus on the evolving relationship between central banks and cryptocurrencies. As digital assets continue to gain traction, central banks around the world are grappling with how to regulate and integrate them into the existing financial ecosystem. Worldonomics Times delves into this critical discussion, exploring potential policy approaches, the risks and opportunities associated with cryptocurrencies, and their impact on monetary policy.

## Beyond the Headlines: A Spectrum of Economic Issues:

Of course, Worldonomics Times goes beyond this single topic. The publication continues to shed light on technological advancements and their profound impact on society. Articles explore the transformative potential of artificial intelligence, blockchain, and the metaverse, while also considering the ethical considerations surrounding these developments.

## Championing Social Justice and Equality:

Worldonomics Times remains a platform for fostering meaningful dialogue on social issues. Articles delve into critical topics like gender equality, racial justice, LGBTQ+ rights, and the ongoing struggle to address socio-economic disparities. These pieces not only highlight the challenges faced by marginalized communities but also propose solutions for building a more just and inclusive world.

## Sustainability: Charting a Course for a Greener Future:

The fight against climate change and the pursuit of sustainable development remain at the forefront of Worldonomics Times' focus. Articles showcase advancements in renewable energy technologies, innovative green practices, and the global push towards a low-carbon economy. The publication continues to explore the synergy between technology and sustainability, analyzing the rise of green hydrogen, sustainable infrastructure projects, and the role of circular economy principles.

## Education: The Cornerstone of Progress:

Recognizing the critical role of education in a knowledge-based economy, Worldonomics Times continues to advocate for lifelong learning. Articles explore innovative pedagogical approaches, the effective integration of technology in education, the growing importance of vocational training, and the democratizing power of online learning platforms. The publication emphasizes the importance of empowering individuals through continuous skill development and knowledge acquisition.

*Sandeep Kumar*

**EDITOR-IN-CHIEF**

**Worldonomics Times**

# Commodities:
## A Beacon of Hope in Challenging Times, Illuminating an Opportunistic Path Ahead

*"Amidst global uncertainties, commodities shines, offering a promising path forward. Geopolitical risks and declining consumer spending in advanced economies such as US, challenge market stability & growth prospects. Yet, as interest rates ease, commodities like gold become safer against economic uncertainties. This complex landscape is rich with both challenges and opportunities, demanding strategic insight to navigate and seize the evolving prospects."*

The economy has traversed a winding path so far this year. Many expected turbulent conditions brought on by persistently high inflation and interest rates, restrictive monetary policy, and slowing consumer and business spending. At the midpoint of 2024, the economic landscape presents a mixed picture. Signs of a slowdown are starting to appear in cooling job and wage growth and waning consumer confidence. While this softening could help ease stubbornly high inflation, it also presents new challenges. Better than expected performance in the US and China are primary drivers of the improved outlook so far. Easing inflation, improved supply conditions and steady labour markets also continue to fuel overall economic activity.


In the first half of the current year, the broad commodity market has been buoyed by the booming US stock market. However, this reliance on China's economic stimulus, OPEC's production cuts, and the strong stock market suggests we might see a typical downturn in commodities. This is similar to the pattern seen in 2014 for crude oil, though now there's an added factor: an increasing surplus of oil in the US and Canada coupled with China's economic slowdown, as indicated by falling government bond yields.
Major economies are stabilising but face ongoing challenges. The US economy continues to top expectations, leading to a considerable revision in the real GDP growth forecast for 2024. But elevated interest rates, persistent inflation and high consumer debts will weigh on performance through the remainder of the year.
Let's explore what we see for the economic and market landscape for the second half of 2024.

5 Inflationary periods over past 50 years

- Early 1970s, Oil embargo; Iranian Revolution
- 2005, China's Industrial boom
- 2007-2008, Global Financial Crises
- 2021, Post pandemic recovery

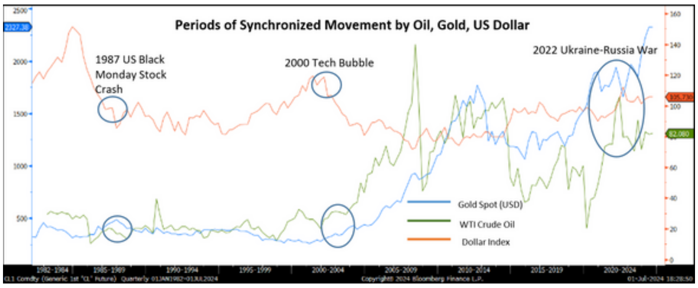
**Each period marked by shocks in terms of supply, demand & growth**

That said, not all commodities respond the same to higher inflation.
**Gold**: The yellow metal typically only guards against very high inflation and large inflation surprises caused by losses in central bank credibility and geopolitical supply shocks. Gold usually didn't perform well in response to positive demand shocks when the central bank responded swiftly by hiking rates.
**Energy:** Historically, energy generated the strongest real returns across assets when inflation surprised to the upside. That's because energy usually responded both to supply and demand shocks. While refined oil products remain the most important commodity for global consumer prices, recent episodes have shown that natural gas has significant inflation hedging benefits as well.
**Industrial metals:** Given their large exposure to cyclical manufacturing and the housing sector, industrial metals have demonstrated they could offer protection against demand-led inflation. Industrial metals generated especially high returns (average total real returns of 30%) late in the cycle when economy-wide inflation risks are the largest.

**During challenging times, commodities have emerged as a reliable sanctuary**

Commodities have demonstrated strong resilience in the face of inflation and have been a critical hedge for bonds and equities when prices and wages are climbing. Commodities also tend to rally when inflation is boosted by economic growth, and they can provide wealth preservation when central bank credibility declines. Oil and other commodities have been popular with investors as inflation-hedging, late-cycle. They typically outperform major assets such as stocks and bonds, history suggests. Crude's price rally has shown staying power this cycle due to improving supply-demand dynamics arising from OPEC+ output cuts, as well as escalating geopolitical tension in the Middle East.

| Commodity | Upside Risks | Downside Risks |
|---|---|---|
| Metals | Copper Supply volatility | Struggling residential construction sector in China |
| | Lower smelter capacity in China | Slower interest rate cuts |
| | Faster economic growth in the US and China | Weaker growth of the Global manufacturing sector |
| Energy | Escalating geopolitics tensions | Sharper economic slowdown amid Higher-for-longer interest rates |
| | Potential weather extremes driving up demand and limiting supply | Stronger gains in renewables and energy efficiency |
| | Stronger resilience of global economy, especially China and US | Upside surprise in supply from OPEC+ and non-OPEC countries |
| Food/ Agriculture | Adverse weather conditions limiting production | Ample supply of major food commodities |
| | Trade restrictions and supply disruptions | Softer consumer demand amid persisting cost of living pressures |
| | Volatile energy costs | Decreasing costs of fertilizers |




**Oil, Gold, Dollar in Sync Signal Investors Could Go Risk-Off**

Oil's synchronized price move with gold and the US dollar a phenomenon that occurred previously in 1987, 2000 and 2022 signals rising economic headwinds ahead, which may stifle energy demand. That could prompt investors to cut risk, putting pressure on major asset prices. History suggests oil, gold and the US dollar tend to move differently through the economic cycle. During economic slowdowns, the dollar usually performs better than oil and gold, as investors cut risk and look for low-risk assets. Oil usually performs better during economic booms as investors add risk. But if they all move up together, that could signal rising economic headwinds or war risk ahead. There have only been three occasions of substantial, synchronized upward movement since 1980: the US stock crash in July-October 1987, the bursting of the tech-stock bubble in November 1999-February 2000, and the run-up to and start of Russia's full-scale attack on Ukraine (November 2021-June 2022). They were all followed by oil-price declines. This time, the WTI price has been rising with gold and the dollar. After the price synchronization of oil, gold and the dollar ended in 1987, 2000 and 2022, the WTI price fell by an average of 23.5% in the following 12 months. This time, oil, gold and the dollar have been moving in the same direction since March 26. If synchronization ends, oil could face strong price headwinds, if history is a guide.

**US Economy plays pivotal role in Commodity Markets**

The economic journey in 2024 has taken an unexpected course. Despite inflationary pressures and rising rates, sturdy consumer spending propelled by a robust job market sustained growth. But there may be bumps in the road ahead. There are signs of cooling labor and consumer confidence, business investment may see monetary policy headwinds, and government spending could moderate amid election uncertainty. On the other hand, net exports could provide a tailwind in the second half. And while the pace of economic growth has slowed, slower growth is still growth. Overall, the economic landscape seems headed toward a soft landing.


As we look forward, indicators suggest rougher economic terrain ahead. After a cool-down in hiring and wage growth in April, both rebounded unexpectedly in May. However, the unemployment rate surpassed 4% for the first time since January 2022, and labor force participation declined. This unstable backdrop has coincided with fluctuating consumer confidence, which is historically tied to spending growth. While this points to potentially slower consumer spending in the latter half of the year, it's important to remember that slower growth is still positive growth.

**Staying Alert to Opportunities**

While the geopolitical and political path ahead is unsettled, markets already have expectations about these events and have discounted them accordingly.

Staying vigilant to changes in expectations is certainly an important part. But at the end of the day, recognizing and capitalizing on these opportunities is key to navigating the shifting landscape.

**Will second half of 2024 be Opportunistic or prudent against Volatility**

While well-known risks like inflation and interest rates have dominated the headlines, the geopolitical landscape's twists and turns often take investors into uncharted territory. It's these black swans' risks that can have the biggest impact. The heating-up geopolitical impasse with the world's largest commodity importer China at the centre may not be good for prices, with the notable exception of gold. If the US stock market can stay on a tear in 2H, commodities may stabilize, but risk vs. reward appears tilted toward deflation that's worthy of inflation when equities have some typical retracement.

A conflict-driven rise in commodity prices could stoke stubbornly elevated global inflation, further delaying global monetary easing. Expectations for risk asset underpinnings, on back of Fed eventually cutting rates, may follow the lessons of what widely anticipated not occurring with buoyancy implications for gold. November's historic rematch between presumptive Democratic nominee Joe Biden and presumptive Republican nominee Donald Trump, has so far remained a background concern for markets. Despite the uncertainty that is sure to come over the next six months, the election season tends to end well for investors. Risks to this outlook include the upcoming election and numerous geopolitical tensions that could spark volatility. But underlying fundamentals remain resilient. For most investors, a well-diversified portfolio aligned with goals and timelines is still the prudent path forward.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