

Nasdaq posts biggest daily drop since Feb. after 'hawkish' US Fed meeting minutes

NEW YORK — US stocks fell sharply on Wednesday, with the Nasdaq plunging more than 3% in its biggest one-day percentage drop since February, after US Federal Reserve meeting minutes signaled the central bank may raise interest rates sooner than expected.

The S&P 500 fell more than 1%, its biggest daily percentage decline since Nov. 26, the first day of trading after news of the Omicron variant of the coronavirus. The S&P 500 and Nasdaq quickly extended their declines after the release of the minutes, which investors viewed as more hawkish than they had feared. The Dow, which hit a record high earlier in the day, reversed course and ended down more than 1%.

The sell-off was broad, with all S&P sectors ending in the red, and Wall Street's fear gauge, the Cboe Volatility index, closing at its highest level since Dec. 21.

In the minutes from the Fed's Dec. 14-15 policy meeting, central bank policy makers said a "very tight" job market and unabated inflation might require the Fed to raise rates sooner and begin reducing its overall asset holdings as a second brake on the economy.

"Indications that the Fed is very concerned about inflation could quickly create a view that the Fed will aggressively tighten in 2022," said David Carter, chief investment officer at Lenox Wealth Advisors in New York, calling the minutes "more hawkish than expected."

The S&P 500 technology sector fell 3.1% and was the biggest drag on the benchmark index, while the rate-sensitive real estate sector dropped 3.2% in its biggest daily percentage decline since Jan. 4, 2021.

The Dow Jones Industrial Average fell 392.54 points or 1.07%

to 36,407.11; the S&P 500 lost 92.96 points or 1.94% to 4,700.58; and the Nasdaq Composite dropped 522.54 points or 3.34% to 15,100.17.

Rising interest rates increase borrowing costs for businesses and consumers, and higher rates can depress stock multiples, especially for technology and other growth stocks.

Growth shares have been under pressure from a recent rise in US Treasury yields.

The Russell 2000 index also suffered its biggest one-day drop since Nov. 26, while the S&P 500 financials index fell 1.3%, a day after it registered an all-time closing high.

Policy makers in December agreed to hasten the end of their pandemic-era program of bond purchases, and issued forecasts anticipating three quarter-percentage-point rate increases during 2022. The Fed's benchmark overnight interest rate is currently set near zero.

Early in the day, an ADP National Employment report showed private payrolls increased by 807,000 jobs last month, more than double of what economists polled by Reuters had forecast.

The report comes ahead of the Labor Department's more comprehensive and closely watched nonfarm payrolls data for December on Friday.

Declining issues outnumbered advancing ones on the NYSE by a 4.32-to-1 ratio; on Nasdaq, a 4.22-to-1 ratio favored decliners.

The S&P 500 posted 59 new 52-week high and one new low; the Nasdaq Composite recorded 81 new highs and 307 new lows.

Volume on US exchanges was 12.18 billion shares, compared with the 10.4 billion average for the full session over the last 20 trading days. — Reuters

Raw sugar falls 2.2% to five-month low; arabica coffee flat; cocoa down

NEW YORK/LONDON — Raw sugar futures on ICE closed 2% lower on Wednesday and hit a five-month low during the session as rains continue to improve prospects for the new Brazilian crop while demand is lackluster.

SUGAR: March raw sugar settled down 0.41 cent or 2.2% at 18.34 cents per pound (lb). It hit the lowest in five months during the session at 18.32 cents/lb.

Dealers said the upcoming index fund rebalancing was bearish for sugar which rose by about 20% in 2021. Commodities which performed well in 2021 have effectively increased their weighting and so are sold during the rebalancing period while underperforming commodities are purchased.

They also noted rains in the key center-south region of Brazil had improved the outlook for this year's crop.

"Crop conditions will improve and we should see (center-south) cane estimates rise from the 530-570 range that was the consensus," said one broker.

March white sugar fell \$7.10 or 1.4% at \$488.20 a ton.

COFFEE: March arabica coffee closed stable at \$2.3175 per lb.

Dealers said the market had upward momentum after rising nearly 4% on Tuesday and had the potential to climb back towards last month's 10-year high during the next few weeks.

Costa Rican growers exported 12.5% more coffee in December than in the same month of 2020, the Coffee Institute of the Central American country said on Tuesday.

March robusta coffee settled down \$28 or 1.2% at \$2,321 a ton, extending its retreat from a 10-year high of \$2,384 set in late December.

Dealers said the market remained underpinned, however, by supply chain issues which have disrupted shipments from top robusta producer Vietnam.

COCOA: March New York cocoa settled down \$5 or 0.2% to \$2,457 a ton, the fourth consecutive decline.

March London cocoa settled up £8 or 0.5% to £1,676 per ton.

"Ideas are that demand will only improve slightly if at all and production in West Africa appears to be good this year, said Jack Scoville, analyst at Chicago-based The Price Futures Group. — Reuters

Oil rallies even as OPEC+ boosts output and US fuel demand dips

NEW YORK — Oil prices rose on Wednesday, extending gains even after OPEC+ producers stuck to an agreed output target rise for February and US fuel inventories surged due to sliding demand as coronavirus disease 2019 (COVID-19) cases spiked.

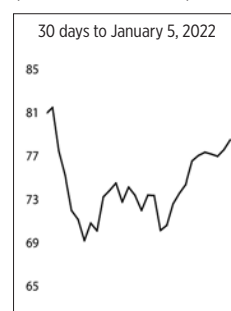
Brent crude futures ended up 80 cents or 1% to \$80.80 a barrel. US West Texas Intermediate (WTI) crude futures closed up 86 cents or 1.1% to \$77.85.

The market pared gains late in the day after the release of minutes from the latest meeting that showed policy makers may have to raise rates more quickly than markets anticipated. Oil dropped, following other risk assets like stocks.

US crude stocks dropped by 2.1 million barrels, owing in part to tax incentives for producers to reduce inventories before yearend.

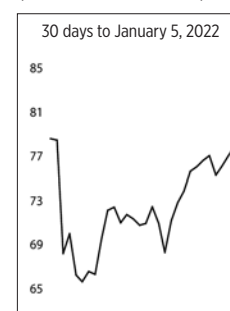
However, gasoline inventories jumped by more than 10 million barrels, and stocks of distillates

ASIA-DUBAI (JANUARY CONTRACT)



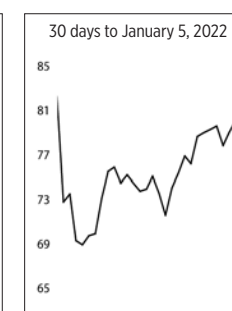
DOLLARS PER BBL	
Dec.	30 31 3 4 5
\$/bbl	77.25 77.70 76.89 77.49 78.40
Average (Jan. 3-5)	\$77.59
Average (Dec. 1-31)	\$73.18

NEW YORK-WTI (FEBRUARY CONTRACT)



DOLLARS PER BBL	
Dec.	30 31 3 4 5
\$/bbl	76.99 75.21 76.08 76.99 77.85
Average (Jan. 3-5)	\$76.97
Average (Dec. 1-31)	\$71.69

LONDON-BRENT (MARCH CONTRACT)



DOLLARS PER BBL	
Dec.	30 31 3 4 5
\$/bbl	79.53 77.78 78.98 80.00 80.00
Average (Jan. 3-5)	\$79.93
Average (Dec. 1-31)	\$74.81

Source: REUTERS

rose by 4.4 million barrels. Analysts cited soft demand during the last week of 2021 as people hunkered down due to the Omicron variant of the coronavirus.

The United States reported nearly 1 million new coronavirus infections on Monday, the highest daily tally of any country in the world and

nearly double the previous US peak set a week earlier. Overall product supplied, a proxy for demand, fell sharply, though the last four weeks has seen stronger demand than the same period two years ago before the pandemic's onset.

"Implied product demand — particularly for gasoline —

slumped, suggesting that the public was cautious about travel in the wake of surging cases of the Omicron variant. These fears are likely to persist for a few weeks yet," wrote Caroline Bain, chief commodities economist at Capital Economics. OPEC+ producers, which include members of the Organization of the Petroleum Exporting Countries along with Russia and others, on Tuesday agreed to add another 400,000 barrels per day of supply in February, as they have done each month since August.

Still OPEC+ will probably struggle to reach that target, as members including Nigeria, Angola and Libya face difficulties ramping up production, Barclays analysts said in a note. Even as the group boosts targets, "actual incremental supplies are likely to be much smaller, similar to the demand effect from Omicron," the bank wrote. — Reuters

SPOT PRICES WEDNESDAY, JANUARY 5, 2022

METAL	
PALLADIUM free \$/troy oz	1,905.28
PALLADIUM JMI base, \$/troy oz	1,915.00
PLATINUM free \$/troy oz	989.96
PLATINUM JMI base \$/troy oz	990.00
KRUGGERAND, fob \$/troy oz	1,823.00
IRIDIUM, whs rot, \$/troy oz	3,990.00
RHODIUM, whs rot, \$/troy oz	14,790.00
GRAINS (Dec. 30, 2021)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1st Class, \$/ton	707.00
FRAGRANT (100%) 2nd Class, \$/ton	661.00
RICE (5%) White Thai- \$/ton	397.00
RICE (10%) White Thai- \$/ton	395.00
RICE (15%) White Thai- \$/ton	394.00
RICE (25%) White Thai- \$/ton (Super)	394.00
BROKER WHITE A-1 Super \$/ton	368.00
FOOD	
COCOA ICCO Dly (SDR/mt)	1,712.93
COCOA ICCO \$/mt	2,392.21
COFFEE ICA comp '2001 cts/lb	201.94
SUGAR ISA FOB Daily Price, Carib. port cts/lb	18.51
SUGAR ISA 15-day ave.	18.74

LIFFE COFFEE

New Robusta 10 MT - \$/ton				
	High	Low	Sett	Psett
Jan.	2276	2248	2252	2269
Mar.	2355	2313	2321	2349
May	2297	2262	2270	2293
July	2281	2249	2256	2276

LIFFE COCOA

(Ldn)-10 MT-E/ton				
	High	Low	Sett	Psett
Mar.	1690	1651	1676	1668
May	1713	1679	1700	1696
July	1710	1682	1699	1697
Sept.	1711	1684	1700	1699

COCONUT

MANILA COPRA (based on 6% moisture)	
	Buyer/Seller
Peso/100kg	5,050.00/5,100.00
Lag/Qzn/Luc	5,050.00/5,100.00
Philippine Coconut Oil - Crude	
CIF NY/NOLA	83.50
FOB RAIL/NOLA	85.00
COCONUT OIL (PHIL/IDN), \$ per ton,	
CIF Europe	
Jan./Feb.'22	0.00/1,895.00
Feb./Mar.'22	1,737.50/1,825.00
Mar./Apr.'22	1,725.00/1,800.00
Apr./May'22	1,725.00/1,800.00

LONDON METAL EXCHANGE

LME FINAL CLOSING PRICES, US\$/MT	
	3 MOS
ALUMINUM H.G.	2,922.00
ALUMINUM Alloy	2,300.00
COPPER	9,698.00
LEAD	2,287.50
NICKEL	20,638.00
TIN	39,293.00
ZINC	3,588.00

Aluminum prices surge to two-month peak

LONDON — Aluminum prices rose on Wednesday to their highest in more than two months as expectations of large deficits were reinforced by high power prices, particularly in Europe, and sliding stocks.

Benchmark aluminum on the London Metal Exchange (LME) was up 2.3% at \$2,905 a ton at 1705 GMT, having earlier touched \$2,938.5, its highest since Oct. 25 and a rise of more than 10% since Nov. 5.

"There is no quick, permanent solution to the European power crisis. Even if prices ease, it doesn't mean risks are dissipating," said ING analyst Wenyu Yao.

"Aluminum producers in Europe trying to negotiate with power suppliers will find it difficult to get competitive deals for the longer term."

Power at current prices can account for around 50% of aluminum smelting costs.

POWER: European prompt power prices rose on Wednesday as day-to-day wind power supply in Germany was forecast to halve while demand in France was expected to increase due to lower temperatures.

INVENTORIES: Stocks of aluminum in LME approved warehouses MALSTX-TOTAL at 926,800 tons have dropped more than 50% since the middle of March.

Canceled warrants — metal earmarked for delivery — at 34% of the total suggest more aluminum will be leaving the LME warehouses over the coming days.

EUROPE: Consumers buying aluminum on the physical market pay the benchmark LME prices plus a premium. Europe accounts for around 13% of global aluminum consumption estimated at around 70 million tons this year.

CHINA: The aluminum market is also focused on top producer China where coal prices have been driven up by a ban on exports by Indonesia.

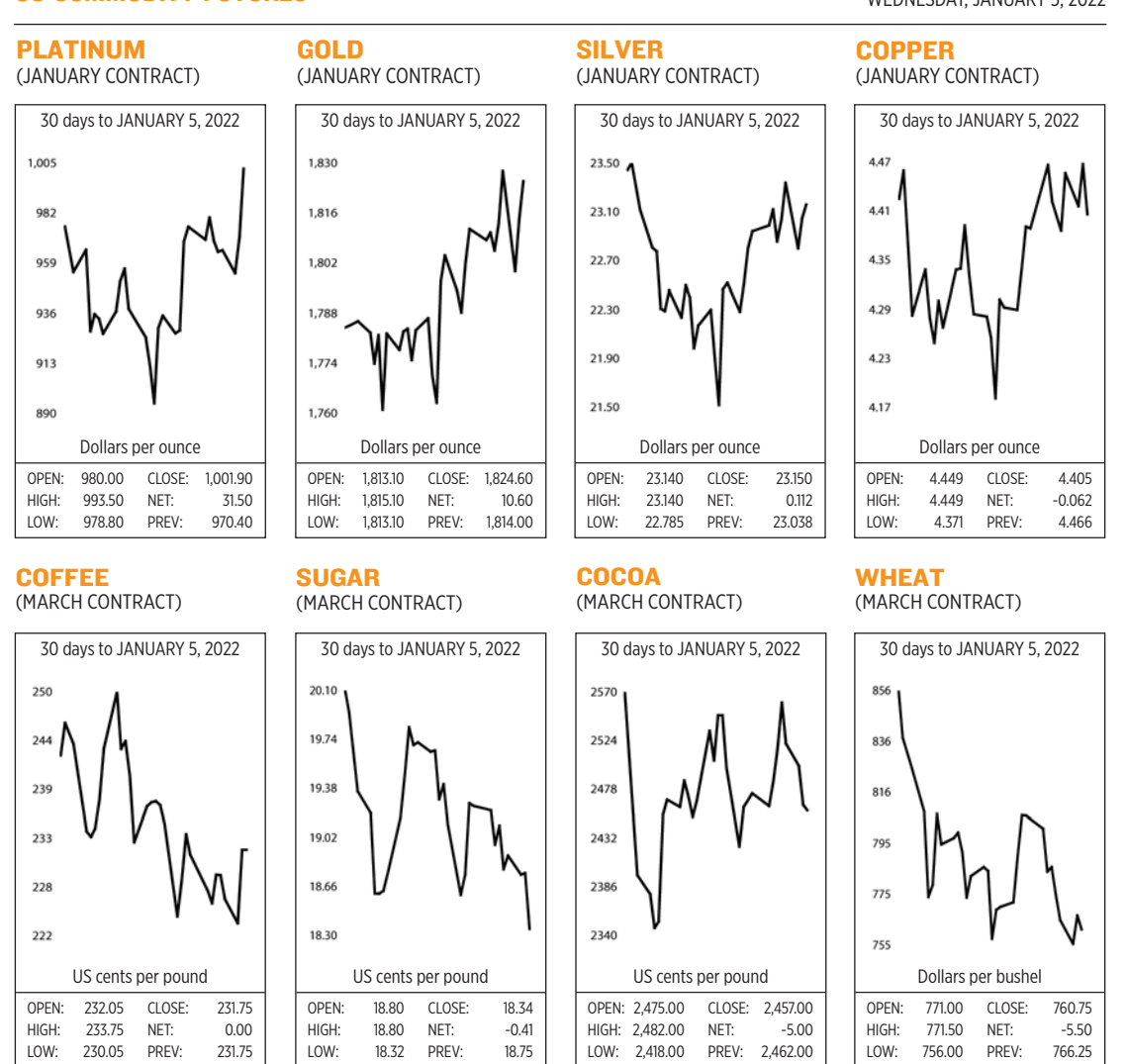
China and India, also a major aluminum producer, are major destinations for Indonesian coal.

OTHER METALS: Copper was down 0.7% at \$9,695 a ton, zinc slipped 0.9% at \$3,573, lead fell 0.3% to \$2,292, tin gained 0.3% to \$39,310, and nickel ceded 2.4% to \$20,635. — Reuters

Source: REUTERS

WEDNESDAY, JANUARY 5, 2022

US COMMODITY FUTURES



Gold slips as yields rise after hawkish Fed minutes

GOLD PRICES slipped on Wednesday erasing earlier gains, as US bond yields jumped after minutes from the last Federal Reserve meeting showed that the US central bank may need to raise interest rates sooner than expected to curb inflation.

Spot gold was last down 0.2% at \$1,810.56 per ounce by 15:21 ET (2021 GMT). US gold futures settled 0.6% higher at \$1,825.10.

"The gold market has seen a pullback off the recent highs in response to the Fed minutes. The market was already weighed upon by the expectation of a more hawkish Fed," said David Meger, director of metals trading at High Ridge Futures.

"The bond yields rise is clearly weighing on the gold market. However, the underlying support of premise in this market is the ongoing inflationary pressures and virus concerns brings about a bit of a safe haven demand element."

According to minutes from the Fed's Dec. 14-15 policy meeting, Fed officials said last month that the US labor market was "very tight" and it might need not just to raise interest rates sooner than expected, but also reduce asset holdings quickly.

Fed funds futures have priced in a 80% chance of a rate hike in March following the release of the Fed minutes.



In the wake of Fed minutes, the benchmark 10-year US Treasury yields rose to their highest level since April 2021, while the dollar pared losses.

Some investors view gold as a hedge against higher inflation, but bullion is highly sensitive to rising US interest rates, as these increase the opportunity cost of holding non-yielding bullion.

Meanwhile, Goldman Sachs said in a note that cryptocurrency bitcoin will take market share away from gold in 2022 as digital assets become more widely adopted.

Elsewhere, spot silver fell 1.1% to \$22.78 an ounce, platinum was up 0.9% at \$980.53, and palladium fell 0.6% to \$1,859.30. — Reuters