

Oil prices settle lower to start 2024 as supply concerns ease

HOUSTON — Crude oil prices closed the first trading session of 2024 lower as expectations for interest rate cuts waned and on easing concerns that tensions in the Red Sea will disrupt supplies.

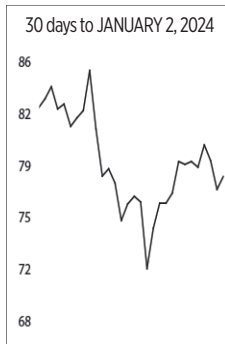
Brent crude settled at \$75.89 down by \$1.15 or 1.5%. US West Texas Intermediate crude settled at \$70.38 a barrel, down by \$1.27 or 1.8%.

Prices fell as investors tempered expectations about interest-rate cuts in 2024. Lower interest rates reduce consumer borrowing costs, which can boost economic growth and oil demand.

The US dollar also strengthened on Tuesday, while stock prices slipped, further pressuring crude oil lower. A stronger dollar makes crude oil more expensive for investors holding other currencies.

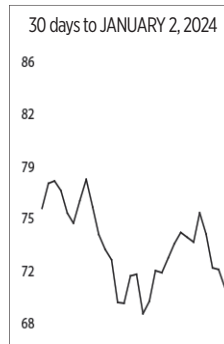
Oil prices had climbed around \$2 in earlier trading following attacks on vessels in the Red Sea by Houthi rebels over the weekend, and the reported arrival of an Iranian warship on Monday.

ASIA-DUBAI (JANUARY CONTRACT)



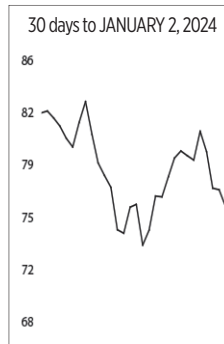
Jan. 26	27	28	29	2	
\$/bbl	78.65	80.20	79.10	77.10	78.00
Average (January 2)	\$78.00				
Average (December 1-29)	\$77.33				

NEW YORK-WTI (FEBRUARY CONTRACT)



Jan. 26	27	28	29	2	
\$/bbl	75.57	74.11	71.77	71.65	70.38
Average (January 2)	\$70.38				
Average (December 1-29)	\$72.12				

LONDON-BRENT (MARCH CONTRACT)



Jan. 26	27	28	29	2	
\$/bbl	81.07	79.65	77.15	77.04	75.89
Average (January 2)	\$75.89				
Average (December 1-29)	\$77.26				

Source: REUTERS

“The market is correcting itself in so far as there have been no supply disruptions and they think it is unlikely that the Iranian warship will engage with American warships,” said Andrew Lipow, president of Lipow Oil Associates.

“Clearly, the oil market will move higher if shots are fired,” Mr. Lipow added.

On Sunday, US helicopters repelled an attack by Iran-backed Houthi forces on a container vessel operated by Danish shipper Maersk in the Red Sea. On Monday, an Iranian warship had entered the Red Sea, according to the semi-official Tasnim news agency.

Denmark’s Maersk and German rival Hapag-Lloyd said

their container ships would keep avoiding the Red Sea route that gives access to the Suez Canal.

A wider conflict could close crucial waterways for oil transportation.

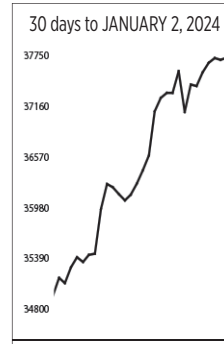
A Reuters survey of economists and analysts predicted Brent crude would average \$82.56 a barrel this year, up slightly from the 2023 average of \$82.17, with weak global growth expected to cap demand. Geopolitical tensions, however, could support prices.

In China, investor expectations of economic stimulus measures rose after manufacturing activity shrank in December for a third month, government data showed on Sunday.

Any such stimulus could boost oil demand and support crude prices.

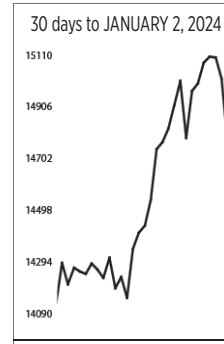
Separately, OPEC+ plans to hold a meeting of its Joint Ministerial Monitoring Committee in early February, though an exact date has not been decided, three sources from the alliance said. — **Reuters**

DOW JONES



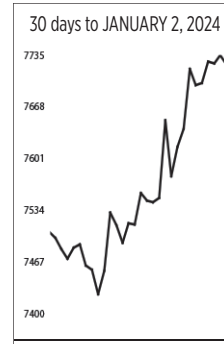
OPEN:	37,566.22	CLOSE:	37,715.04
HIGH:	37,790.08	NET:	25.50
LOW:	37,495.91	PREV:	37,689.54

NASDAQ COMPOSITE



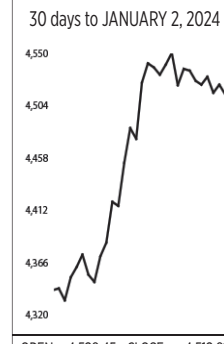
OPEN:	14,873.70	CLOSE:	14,765.94
HIGH:	14,887.80	NET:	-245.41
LOW:	14,682.38	PREV:	15,011.35

FTSE



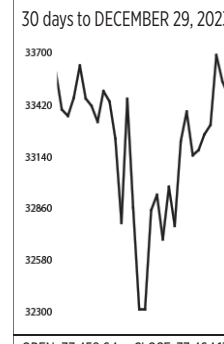
OPEN:	7,733.24	CLOSE:	7,721.52
HIGH:	7,764.37	NET:	-11.72
LOW:	7,689.02	PREV:	7,733.24

DJ EURO STOXX



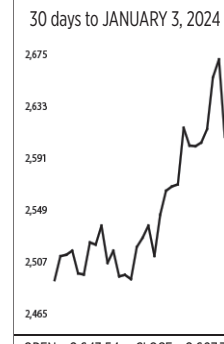
OPEN:	4,528.45	CLOSE:	4,512.81
HIGH:	4,568.80	NET:	-8.84
LOW:	4,484.82	PREV:	4,521.65

225-NIKKEI



OPEN:	33,458.64	CLOSE:	33,464.17
HIGH:	33,652.71	NET:	-75.45
LOW:	33,305.17	PREV:	33,539.62

KOSPI



OPEN:	2,643.54	CLOSE:	2,607.31
HIGH:	2,643.72	NET:	-62.50
LOW:	2,607.31	PREV:	2,669.81

S&P 500, Nasdaq begin 2024 with lower close as Apple, big techs weigh

THE S&P 500 and Nasdaq Composite closed the first trading session of 2024 lower, weighed by a fall in Apple shares after a broker downgrade and declines among other big-tech names triggered by a move higher by Treasury yields.

The lackluster session follows a year where Wall Street’s three major indexes notched double-digit gains on the back of optimism around artificial intelligence and stabilizing inflation. The S&P 500 ended last week within 1% of a record closing high reached in early 2022.

However, equities were pressured on Tuesday as US Treasury yields climbed, with the yield on 10-year notes ticking above 4% to a two-week high before easing slightly to 3.937%.

Such movement in Treasury yields reflected investors’ tempered expectations around cuts this year in US interest rates. This, in turn, weighed on growth stocks — among them tech stocks — which would benefit from a more favorable rate environment.

Apple fell 3.6% after Barclays downgraded the tech giant to “underweight,” citing weakening iPhone demand. Other mega-cap stocks also declined, including Nvidia, Meta Platforms, and Microsoft, which slipped between 1.4% and 2.7%.

“Everyone was very excited by the tail-end rally, the Fed — on the surface at least — paring back a little, and the fact we didn’t have a recession,” said Jason Pride, chief of investment strategy & research at Glenmede.

“But does that mean we’re out the woods yet? I suspect, even if the Fed brings rates down gradually, monetary policy is still tight and still likely to be a hindrance to overall economic activity.”

The Fed’s December policy meeting minutes and a slew of labor market data are on the roster for this week as market participants look to ascertain the timing of potential rate cuts.

While the Fed is widely seen holding rates at its January meet-

ing, traders expect a near 70% chance of a 25-basis-point cut in March, according to the CME Group’s FedWatch tool.

The S&P 500 lost 27 points or 0.57% to end at 4,742.83 points while the Nasdaq Composite lost 245.41 points or 1.63% to 14,765.94. The Dow Jones Industrial Average rose 25.50 points or 0.068% to 37,715.04.

The S&P 500 sectors were mixed. Healthcare was the brightest performer, with its 1.8% gain taking it to its highest close since mid-December 2022. Moderna’s 13.1% advance led the sector higher after the vaccine maker was upgraded by brokerage Openheimer, and it reiterated the company’s goal of achieving sales growth in 2025.

The energy index also rose 1.2% despite crude slipping on concerns about the economic outlook.

Information technology led decliners with a 2.6% fall, the index’s largest one-day drop since Aug. 2.

Tesla was flat despite saying it delivered a record number of electric vehicles in the fourth quarter, beating market estimates and meeting its 2023 target of 1.8 million vehicles.

Boeing dropped 3.4% after Goldman Sachs removed the aerospace company from its “conviction list.”

Meanwhile, Citigroup advanced 3.1% to \$53.04, its highest finish since August 2022, after Wells Fargo raised its price target for the bank to \$70 from \$60. Wells analyst Mike Mayo also said Citi was his top pick among large banks in 2024, and he expects the stock to double to \$100+ over the next three years.

Crypto-related stocks such as MicroStrategy gained as Bitcoin pierced above \$45,000 for the first time since April 2022 on optimism around the possible approval of exchange-traded spot Bitcoin funds.

The volume on US exchanges was 11.86 billion shares, compared with the 12.4 billion average over the last 20 trading days. — **Reuters**

Gold starts new year restrained by dollar

GOLD entered 2024 under pressure from a jump in the US dollar, but held its ground on expectations the US Federal Reserve will cut interest rates this year and rising concerns over attacks on shipping in the Red Sea.

Spot gold steadied at \$2,061.59 per ounce on Tuesday by 2:30 p.m. ET (1930 GMT) after rising as much as 0.8% earlier in the session. US gold futures slipped 0.1% to \$2,070.30.

The dollar index rose 0.8% on track for its biggest daily gain since July, supported by higher US yields, making dollar-priced bullion more expensive for overseas buyers.

But the possibility of escalation in the Red Sea kept gold

prices supported, said Daniel Pavilonis, senior market strategist at RJO Futures.

Gold prices surged 13% in 2023 in their first annual rise since 2020 and are forecast to reach record highs in 2024, as lower interest rates reduce the opportunity cost of holding non-yielding bullion.

“As we saw how much of a lift the price of gold obtained from expectations of rate cuts in 2023, we could well see significant gains in 2024 when central banks actually start loosening their policies,” said Fawad Razaqzada, market analyst at City Index, adding that the actual timing and extent of the rate cuts will depend on incoming data.

This week, market attention is on the minutes, scheduled for Thursday, of the last Fed meeting. Data on US job openings and December nonfarm payrolls, both due on Friday, will also be closely followed.

Silver fell 0.5% to \$23.64 per ounce while platinum was down 0.5% to \$982.18.

Palladium slipped 2.2% to \$1,074.62, its lowest since Dec. 14.

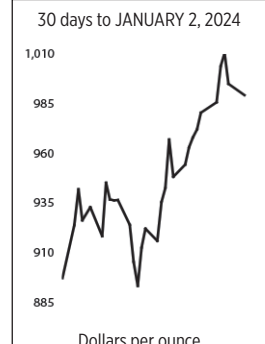
“The outlook for palladium demand partly hinges on the pace of the energy transition, particularly growth in EV demand, as higher battery electric vehicle growth is negative for palladium demand,” HSBC said in a note. — **Reuters**

US COMMODITY FUTURES

Source: REUTERS

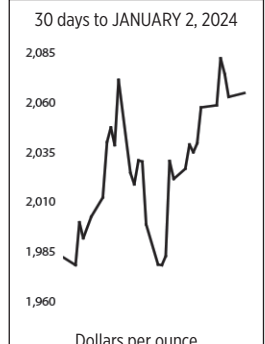
TUESDAY, JANUARY 2, 2024

PLATINUM (JANUARY CONTRACT)



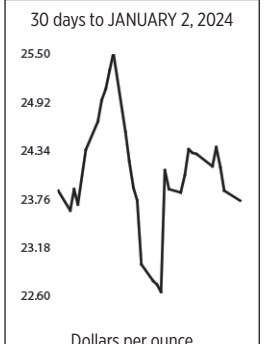
OPEN:	990.00	CLOSE:	988.70
HIGH:	998.30	NET:	-5.70
LOW:	985.40	PREV:	994.40

GOLD (JANUARY CONTRACT)



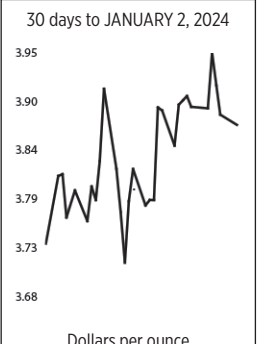
OPEN:	2,063.50	CLOSE:	2,064.40
HIGH:	2,073.70	NET:	2.00
LOW:	2,057.10	PREV:	2,062.40

SILVER (JANUARY CONTRACT)



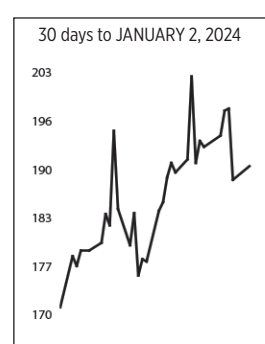
OPEN:	23.845	CLOSE:	23.733
HIGH:	24.070	NET:	-0.120
LOW:	23.845	PREV:	23.853

COPPER (JANUARY CONTRACT)



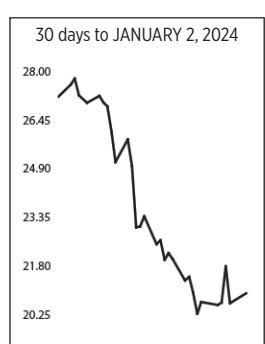
OPEN:	3.883	CLOSE:	3.869
HIGH:	3.902	NET:	-0.011
LOW:	3.856	PREV:	3.881

COFFEE (MARCH CONTRACT)



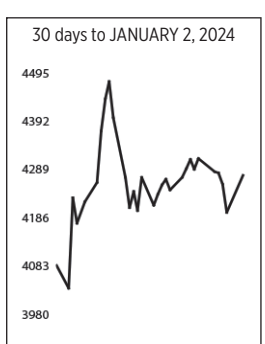
OPEN:	188.65	CLOSE:	190.15
HIGH:	192.55	NET:	1.85
LOW:	188.65	PREV:	188.30

SUGAR (MARCH CONTRACT)



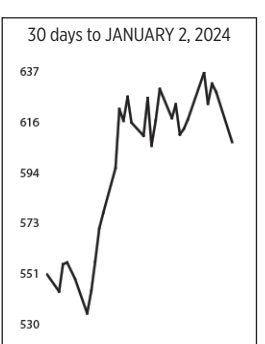
OPEN:	20.60	CLOSE:	20.90
HIGH:	21.38	NET:	0.32
LOW:	20.60	PREV:	20.58

COCOA (MARCH CONTRACT)



OPEN:	4,209.00	CLOSE:	4,275.00
HIGH:	4,287.00	NET:	79.00
LOW:	4,200.00	PREV:	4,196.00

WHEAT (MARCH CONTRACT)



OPEN:	628.75	CLOSE:	606.75
HIGH:	628.75	NET:	-21.25
LOW:	604.75	PREV:	628.00

Renewables, from SI/1

The Philippines’ per capita consumption of electricity is low relative to its neighbors due to high power prices brought on by inefficiency and reliability issues, according to Ms. Ravago.

Citing data from the World Bank and the United Nations, she said that the country’s per capita consumption was at 975.61 per kilowatt-hour (kWh) in 2022.

This is relatively lower compared with the country’s peers in the Association of Southeast Asian Nations (ASEAN) such as Singapore (9,168.82 per kWh), Malaysia (5,318.78 per kWh), Indonesia (2,662.31 per kWh), and Thailand (1,210.67 per kWh).

Electricity consumption in the country is expected to grow by nearly four times the 2018 level by 2040, Ms. Ravago said.

“If we are to meet that growth by 2040, it means that electricity consumption has to grow. It means demand is growing, it has to be met by supply. Otherwise, we would have electricity price increases,” she said.

To meet the demand, she said that the government should address regulatory bottlenecks both for generation and transmission.

Since power generation is privately led in the Philippines — which attracts investments — the government should instead focus

on facilitating these capital inflows, easing regulatory burdens, and expanding transmission, Ms. Ravago said.

“We just need to make sure that the other related infrastructure, transmission lines, and ports are also upgraded in time of these projects going online,” Mr. Layug said.

Data from the DoE showed that wind, natural gas, and solar dominated most of the indicative projects, or those currently in the pre-development stage, as of August 2023 with a capacity of 34,080.50 megawatts (MW), 7,987.60 MW, and 7,811.86 MW, respectively.

‘THE WAY TO GO’

Renewables are seen to be able to offset a rise in electricity prices and mitigate the high prices of oil and coal.

“This year... the private sector is happy about how the government, particularly the DoE, has convinced and has signaled to the private sector that renewables are the way to go,” Mr. Layug said.

As of end-2022, the share of renewable energy (RE) in the country’s power generation mix was about 22%. The government has set a target of increasing this to 35% by 2030, then 50% by 2040.

“We all know that the cost of RE is now more optimal, more

affordable especially for the consumers, so we’re happy with that and we hope the government continues its forward-looking planning of the energy sector in the Philippines by continuously pushing for renewable as part of the energy mix,” Mr. Layug said.

Within RE technologies, solar and wind energy are seen to drive the growth of renewables.

“In the next three years, I still see solar onshore and onshore wind to dominate. With, hopefully, waste-to-energy [projects] catching up a little bit,” Mr. Layug said. “We hope to see floating solar and offshore wind to dominate.”

As of October, the DoE has awarded around 1,300 RE contracts, promising a total potential capacity of about 130,000 MW.

Of the total, 225 wind energy contracts have been awarded with the highest combined capacity of 83,079.3 MW. This was followed by 356 solar energy projects with 27,889 MW and 430 hydropower projects with a capacity of 18,924.4 MW.

“We are in a good position to implement reforms necessary to energy transition,” Ms. Ravago said, citing the moratorium on new greenfield coal power plants and the liberalization of the RE sector.