JIGSAW TALENT MANAGEMENT

MONTHLY MARKET REPORT

FEBRUARY 2021

SYDNEY
Level 43, Australia Square
264-278 George St
Sydney NSW 2000

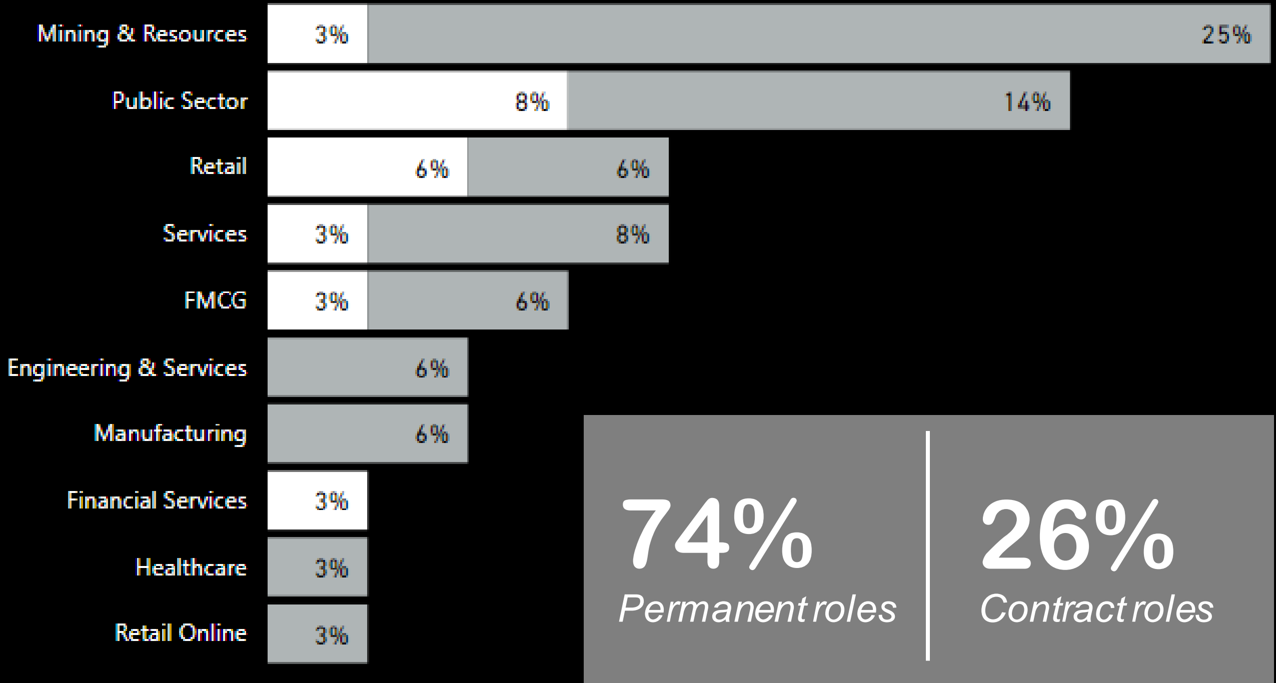
MELBOURNE
Level 9
2 Queen St,
Melbourne VIC 3000

BRISBANE
Level 38
71 Eagle St
Brisbane QLD 4000

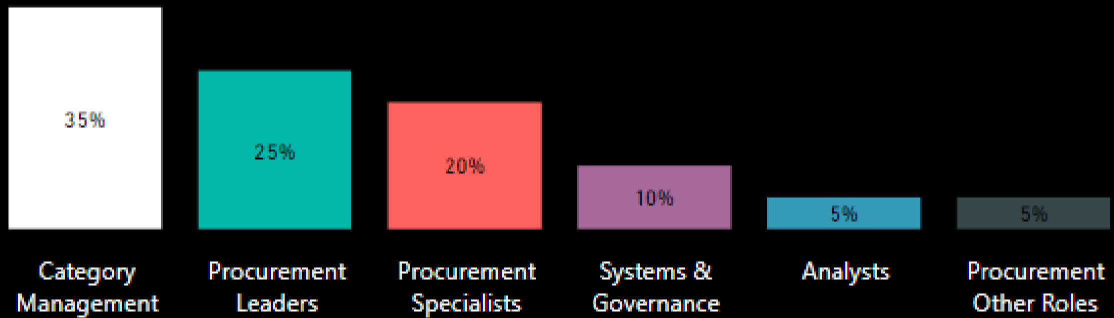
JIGSAW JOB STATS

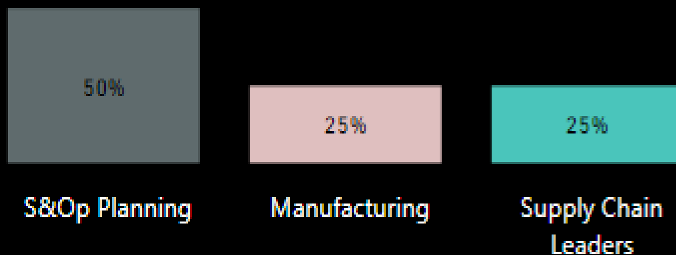
CURRENT MARKET DEMAND

February 2021



Live Roles by Job Category





Inflation Nation – The Rise of the Commodity

2021 is here. Jigsaw thought we would start the first report for 2021 with a macro view of economic inputs and outputs over the past 50 years for the US. The trends are taken from the US as it has more scale re population and capital. The trends that play out in the US typically impact the rest of the world and as the US is the key country for the debt market, we felt US data would better clarify key trends over the past 50 years.

Before we explore the 50-year macro chart and add some insights, Jigsaw want to touch on the key issue potentially confronting procurement over the next 5 – 10 years - Stagflation. As financial assets lose favour with investors and US Treasury's are shunned as a vehicle to store reserves, capital will start to seek out commodities to obtain value. Combined with high unemployment, business insolvency and increased central bank stimulus, this could transpire into stagflation.

Businesses who are reliant on energy and commodities as key inputs to their operations will see both direct and in-direct costs escalate at a time where consumer demand could start to reduce considerably. Jigsaw are predicting a surge in the price of oil by Feb 2021 which will push the commodity to record prices by mid to late 2021. Copper, Nickel, Zinc, Minerals in fact all commodities will see a huge surge in price as global supply comes under pressure as a result of lack on investment over the past decade re exploration and development of new sources of raw material. With the added pressure on junior miners to obtain capital to both explore and develop, and with many of the large cap miners preferring to leave exploration to the juniors, seeking to swoop in and buy up strong deposits, raw materials supply could get strained. Even when new large deposits are discovered it will have little immediate impact on raw materials supply. The lag time between exploration and production is now at record levels due to increases in environmental policy and regulations. It can take up to 10 years to run the cycle of discovery to production.

So, what can procurement departments do to protect their businesses from the certain rise of input prices? Typically, inflation increases the velocity of money for critical items adding to a doom cycle that pushes inflation even higher. As today's prices are typically cheaper than tomorrow's prices, future demand is often acquired in the present to gain greater value in the future and protect budgets. If business inputs are rising, this will result in the products and services downstream also rising, and the competitive advantage for businesses will involve how the supply chain creates downstream consumer value re volume of product and price.

Aside from the soft skills which would be obvious to most supply chain and procurement practitioners re managing stakeholder expectation to adverse market conditions and ensuring rising supplier costs are both tangible and measured, what else can businesses do to protect market share and retain customers when the inputs could cause their products to dramatically increase at the point of sale? Of course, Jigsaw acknowledge that many businesses that rely on commodity inputs have dedicated teams who are focused on the fiscal instruments to manage volatility via derivatives. Thing is, these options to combat inflation are standard practice and will likely offer little advantage against competing businesses.

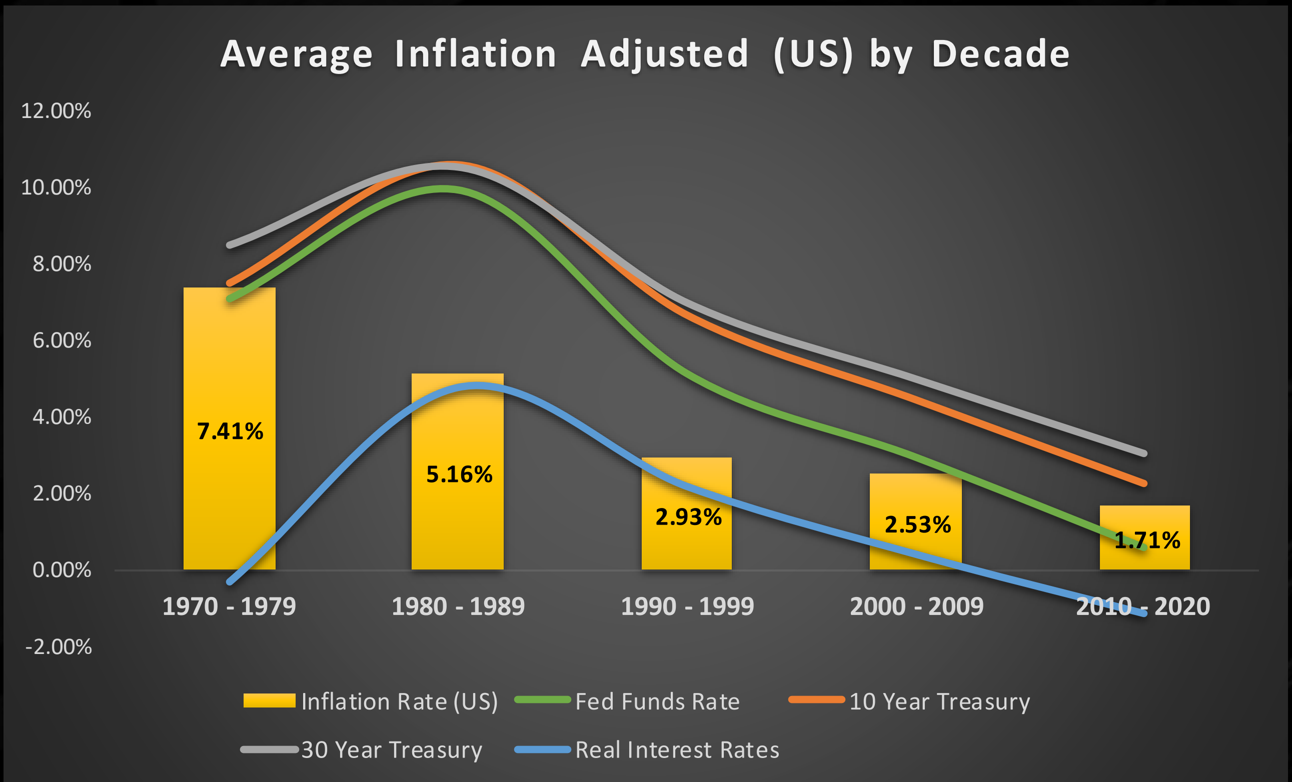
Over the years, many businesses have also taken part in dubious techniques to combat inflation at the expense of consumer value. A key technique is shrinkflation, where the size, quantity or quality of the product is manipulated to retain customer pricing against rising input costs. We have all experienced this in some way, shape or form. When you bite into that nutty chocolate bar that claims it is packed with nuts, only to find a single nut in the entire chocolate bar, or that packet of crisps where the bag is only a 3rd filled. As much as these techniques will still be used in the future, they do present risks to market share retention. Consumers are more clued up these days on value.

If your inputs are not perishable, it could be an idea to move away from JIT supply chains and look at holding inventory to ensure present value pricing and less volatile supply. Buying more volume at a fixed price may be a key advantage, especially if the storage costs and improved supply are favourable vs forces of inflation and supply shock. S&OP is also critical to get on point, but never more so than in times of inflation. To under or over supply the market will have increased negative impacts on waste (cost) or missed revenues.

As commodity supply will come under pressure moving forward, the price rise may play 2nd fiddle re risk to the ability to actually obtain the raw material in a high demand, short supply environment. Many procurement departments are attempting to use poor economic conditions to further bully suppliers into unreasonable pricing and service levels. As business volume re demand has dried up due to lockdowns the belief is these businesses have no choice but to accept below par terms. This is a dangerous game and could lead to a destruction of the supply base entirely. This may work in the short term with in-direct supply, but will be catastrophic if this mind set is attempted with direct costs. A contrarian view could be to pay above market in some cases (business case dependant) or look at other measures to gain supplier loyalty above and beyond competing businesses.

As China has been buying plenty of commodities now, fully understanding the future value they hold against currency, it is not a bad idea to mirror the logic and invest in cheap land and real estate to allow bulk buying today of future demand. The more raw material you can buy and store today will pay dividends down the track and if you have an over supply of non-perishable material, it will be easy to secure demand on the spot market. Coupled with a robust S&OP strategy, optimised employment inputs (preferably automation) businesses have the best chance of operational deflation to combat market inflation and weakening currency.

50 Year US Macro – Inflation Adjusted 1970 – 2020

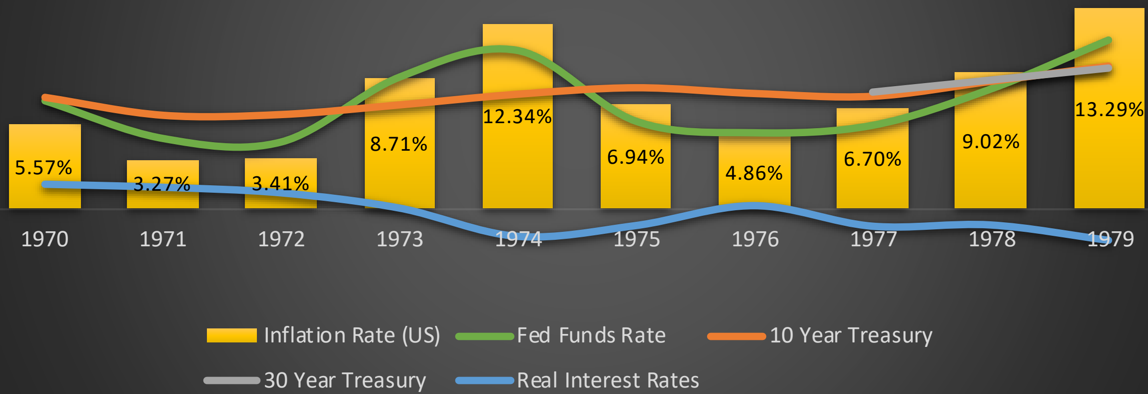


	Fed Funds Rate	10 Year Treasury	30 Year Treasury	Inflation Rate (US)	Real Interest Rates
50 Year Average	5.16%	6.34%	6.91%	3.98%	1.18%

In the chart presented, Jigsaw have taken the time to look at the US economy of the past 50 years, essentially from 1970 through to 2020.
Figures provided are the average over 12 months and not peaks and bottoms.

In these charts, Jigsaw have correlated key measures that impact an economy such as the fed funds rate, the debt market (bonds), the inflation rate and real interest rates. We have then looked at how these fiscal levers impact key commodities in an attempt to better understand the future. We have colour coded the chart for ease of use, as there is a lot of data to consider. Each decade is separated by a colour, the darker squares represent peaks throughout the decade and the black squares are attributed to interest rates at their highest re fed funds and when they turn negative re real rates.

1970's



	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Fed Funds Rate	7.17%	4.67%	4.44%	8.74%	10.51%	5.82%	5.05%	5.54%	7.94%	11.20%
10 Year Treasury	7.35%	6.16%	6.21%	6.85%	7.56%	7.99%	7.61%	7.42%	8.41%	9.43%
30 Year Treasury								7.75%	8.49%	9.28%
Inflation Rate (US)	5.57%	3.27%	3.41%	8.71%	**12.34%**	6.94%	4.86%	6.70%	9.02%	**13.29%**
Real Interest Rates	1.60%	1.40%	1.03%	0.03%	-1.83%	-1.12%	0.19%	-1.16%	-1.08%	-2.09%
					Commodity Prices					
Dow Jones	$5,053.44	$5,689.71	$5,919.00	$5,415.05	$4,008.20	$3,885.98	$4,456.66	$3,836.85	$3,276.31	$3,022.88
Gold	$241.29	$262.34	$362.40	$569.12	**$838.25**	**$778.61**	$570.33	$634.23	$772.34	**$1,099.10**
Silver	$11.88	$9.90	$10.46	$14.94	$24.65	$21.44	$19.87	$19.91	$21.63	$39.63
Platinum										
Copper	$4.16	$3.15	$3.05	$4.45	$4.69	$2.71	$2.92	$2.57	$2.47	$3.15
Crude Oil	$22.75	$23.15	$22.43	$27.84	**$49.37**	**$59.10**	$59.87	$61.78	$59.65	$89.86
Natural Gas										
Wheat	$10.27	$10.09	$11.21	$20.39	$24.86	$17.86	$15.17	$11.03	$12.69	$14.36
Corn	$9.13	$8.74	$8.03	$12.71	$16.89	$13.93	$12.43	$9.87	$9.42	$9.63
Sugar	$0.20	$0.26	$0.43	$0.52	$1.53	$0.96	$0.50	$0.34	$0.32	$0.36

Prior to the 70's, the US experienced a long fetch of post war economic prosperity. That all changed quickly.

The 1970's was a decade of low to negative real rates, high un-employment, supply shocks and demand control introduced by governments in an effort to curb the impacts of stagflation. It was in the 1970's that the Phillips curve was proven inaccurate.
The Phillips curve indicates that as unemployment increases, inflation decreases.
It only took a supply shock to prove this theory incorrect.

The US moved off the gold standard in 1973, doing away with the Bretton Woods system. This decision was made to prevent US gold reserves being depleted and to protect speculation on the currency. The US currency as a result was eventually anchored to oil leaving all other currencies around the globe pretty much anchored to nothing but good will. As a result, the US dollar lost value compared with gold almost immediately. This can be seen in the chart as gold and other commodities started to rise in price. Corn, Oil, Silver, Wheat, Copper and Housing increased in value when measured in US dollars. The first financial crises of the past 50 years happened between 1973 and 1975. As interest rates rose to counter inflation, mostly created by the oil embargo from OPEC, capital left the stock market and went into commodities, a traditional hedge for inflation. Typically, low interest rate environments are preferred for stocks, as inflation can supress growth and high interest negatively impacts the value of future value cashflows. Typically, the stock market prefers moderate inflation and low interest rates.

Below is an example of NPV calculations which are mostly utilised to assess the value of projects. For equities, it is the real rate of return re the discount rate. In simple terms, to value future cashflows for today's valuation, you simply reverse the equation of the value of money tomorrow (compound interest growth).

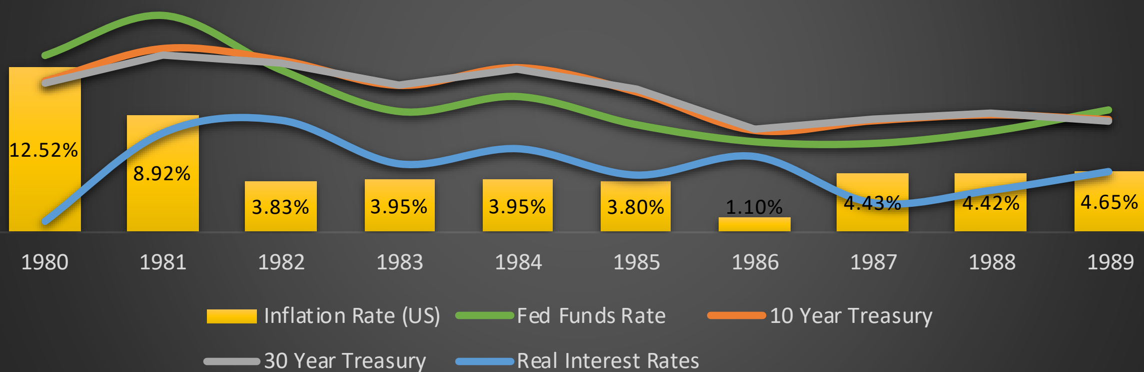
The formula is NPV = Rt/(1+i)t; Rt = net cashflow at a point in time I = discount rate and t = time the cash flow is realised.

NPV is a useful tool to measure Capital Project to assess commercial viability.

Cash	Interest Rate	Time	Present Value of Future Cashflow
$10,000	5%	1 Year	$10,000/1.05 = $9,523.80

The spike in commodity prices would have caused both inputs costs in manufacturing and consumer prices to surge. Note the correlation between the stock market, commodities, inflation and real interest rates. In combination with Nixon devaluing the currency, the government also attempted to interfere with wage and price controls to curb inflation which resulted in food shortages. Oil prices escalated further as the US was cut off as punishment for supporting Israel in the Yom Kippur War. This was followed by a further supply shock re oil in 79 as Iran went through a revolution.
The 70's in summary was a very turbulent decade of stagflation and supply shocks and government controls on demand. To counter the stagflation, many governments had to reduce government spending and reduce taxes in an attempt to counter inflation.
The 1970's proves that attempting to create inflation is a dangerous game. When money creation rapidly exceeds GDP growth, it can take many years to recover and the solution is typically less government, less tax and very high interest rates. It is also worth noting, it was the stagflation of the 70's that really created a divide in the wealth growth between the wealthy and less wealthy. Previous to the 70's, all income grew at the same rate between the wealthy and non-wealthy. As we entered the 80's, this changed dramatically.

1980's – Reaganomics and Free Markets



	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Fed Funds Rate	**13.35%**	**16.39%**	**12.24%**	9.09%	10.23%	8.10%	6.80%	6.66%	7.57%	**9.21%**
10 Year Treasury	11.43%	13.92%	13.01%	11.10%	12.46%	10.62%	7.67%	8.39%	8.85%	8.49%
30 Year Treasury	11.27%	13.45%	12.76%	11.18%	12.41%	10.79%	7.78%	8.59%	8.96%	8.45%
Inflation Rate (US)	**12.52%**	8.92%	3.83%	3.95%	3.95%	3.80%	1.10%	4.43%	4.42%	4.65%
Real Interest Rates	0.83%	7.47%	8.41%	5.14%	6.28%	4.30%	5.70%	2.23%	3.15%	4.56%
Commodity Prices										
Dow Jones	$2,816.00	$2,668.24	$2,388.23	$3,107.94	$2,946.48	$3,213.74	$4,249.65	$5,215.54	$4,535.26	$5,271.69
Gold	**$1,942.61**	**$1,313.20**	$1,015.50	$1,105.88	$901.63	$768.16	$872.63	$1,023.26	$960.92	$800.67
Silver	$66.30	$30.00	$21.38	$29.81	$20.38	$14.83	$12.96	$16.08	$14.37	$11.55
Platinum							$1,102.74	$1,274.68	$1,166.64	$1,070.33
Copper	$3.10	$2.26	$1.78	$1.88	$1.53	$1.48	$1.47	$1.76	$2.38	$2.56
Crude Oil	**$118.25**	**$102.25**	**$85.94**	$75.90	$71.88	$65.15	$34.22	$43.97	$35.13	$41.24
Natural Gas										
Wheat	$14.41	$12.24	$9.45	$9.29	$8.75	$7.87	$6.64	$6.53	$8.14	$8.59
Corn	$9.95	$9.41	$6.86	$8.30	$7.83	$6.15	$4.76	$3.96	$5.59	$5.33
Sugar	$0.95	$0.49	$0.22	$0.23	$0.13	$0.10	$0.14	$0.16	$0.22	$0.25

The first year of the 1980's witnessed gold and silver spike. The fed funds rate (cost of money) was over 13%, inflation was over 12% (increasing price of goods and services) ensuring the real value of money to the real tangible economy was only 0.83%.

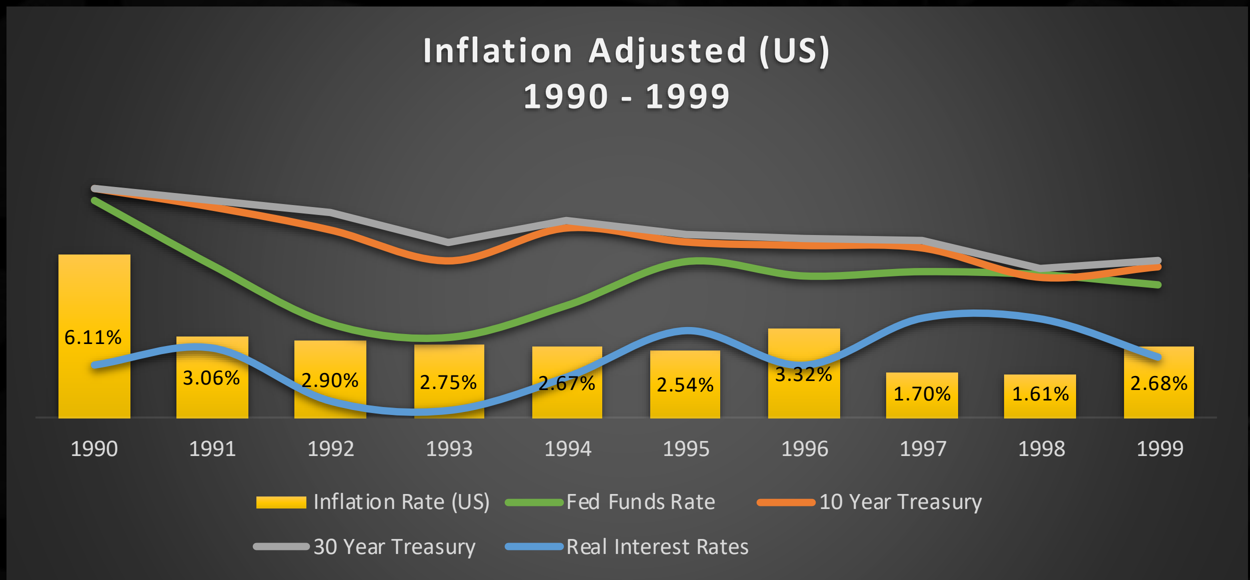
This pushed investors and the public into real money which has always been gold and silver. Oil was still surging in price as well as sugar, with wheat and corn back within range. Capital was still not flowing into the stock market, as interest rates and inflation were high and as indicated in the 1970's overview, this heavily impacts the value of future cashflows.

The drop in wheat and corn was linked to falling demand for agriculture exports.

Reagan was sworn in as US President in 1981 and targeted lower taxes, less social stimulus, less government intervention in the economy. In combination with Reagan's ambition to de-regulate the economy and push for a free market economy, the Fed (Paul Volcker) curbed inflationary forces by jacking up the fed funds rate to over 16% in 1982 and held it well above 11% in 1983. This aggressive monetary policy worked to reduce inflation and by mid-1983 inflation was back at just under 4% and real interest rates were high fluctuating between 3% and 8%.

By the mid 80's the management of inflation coupled with less government intervention sparked an economic boom and capital once again flooded into stocks as a preferred investment vehicle. As a result, commodity prices deflated and gold, silver, oil and agriculture commodities became far cheaper resulting in less inputs costs for businesses and cheaper pricing for consumers. Reagan's policies although mostly successful, were off-set by his addiction to military spending. The revenues pulled from the domestic economy re social programs was not banked to aid the deficit in the federal budget but splurged on weapons and star wars initiatives, with an increased intervention in overseas markets to combat the threat of communism. These initiatives ultimately made the US government less involved in the US economy and more involved in other Nations economies.
This agenda pushed the debt from $74 billion in 1980 to $221 billion by 1986.

1990's – The Financialised Economy



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Fed Funds Rate	**8.10%**	5.69%	3.52%	3.02%	4.21%	5.83%	5.30%	5.46%	5.35%	4.97%
10 Year Treasury	8.55%	7.86%	7.01%	5.87%	7.09%	6.57%	6.44%	6.35%	5.26%	5.65%
30 Year Treasury	8.61%	8.14%	7.67%	6.59%	7.37%	6.88%	6.71%	6.61%	5.58%	5.87%
Inflation Rate (US)	**6.11%**	3.06%	2.90%	2.75%	2.67%	2.54%	3.32%	1.70%	1.61%	2.68%
Real Interest Rates	**1.99%**	2.63%	0.62%	0.27%	1.54%	3.29%	1.98%	3.76%	3.74%	2.29%

Commodity Prices

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Dow Jones	$5,332.11	$5,594.47	$6,075.55	$6,344.86	$6,677.83	$7,685.22	$9,527.79	$12,064.16	**$13,809.22**	**$16,351.23**
Gold	**$763.62**	**$692.07**	$636.16	$648.09	$676.12	$656.76	$643.63	$536.22	$470.59	$435.02
Silver	$9.61	$7.75	$7.31	$7.76	$9.31	$8.89	$8.63	$7.94	$8.86	$8.14
Platinum	$937.87	$718.37	$666.04	$674.17	$713.86	$726.05	$659.45	$640.21	$594.91	$588.43
Copper	$2.29	$1.99	$1.91	$1.53	$1.87	$2.26	$1.71	$1.65	$1.20	$1.12
Crude Oil	**$48.81**	$41.14	$38.07	$33.17	$38.93	$35.24	$36.72	$33.39	$23.07	$30.19
Natural Gas									$3.34	$3.54
Wheat	$6.33	$5.81	$6.75	$5.94	$6.30	$7.20	$7.87	$5.95	$4.69	$4.09
Corn	$4.99	$4.70	$4.42	$4.30	$4.40	$4.81	$6.08	$4.44	$3.81	$3.29
Sugar	$0.24	$0.15	$0.17	$0.18	$0.21	$0.21	$0.18	$0.18	$0.13	$0.09

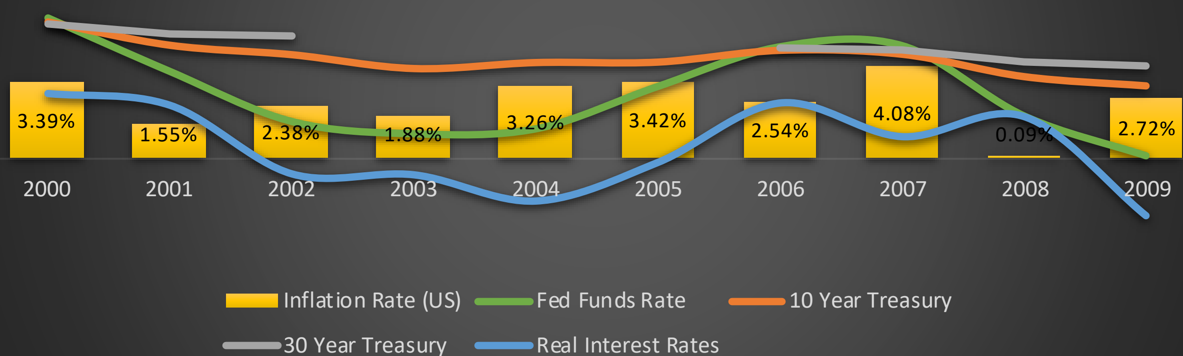
The 90's were the period of de-regulation of the financial sectors and further lowering of taxes (especially investment tax). Bill Clinton reined in public spending and the central banks finally got control of inflation. The combination of a considered government and sound monetary policy (interest rates that could actually help savers) helped GDP growth over the decade average between 3% - 4% and unemployment shrank from 8% to 4%. A key policy that enabled the reduction in unemployment was the time that individuals could stay on welfare in combination with the huge investment in the dot com sector.

From 1990 to 1999 the US economy ultimately took GDP growth from 1.86% to 4.87%, created over 23 million jobs and took the government out of a budgetary deficit to a budgetary surplus of nearly $250 Billion.

As can be seen in the table, as interests rates lower and inflation is contained, the stock market witnessed increased capital flow. With lower inflation, the collapse of the Soviet Union and positive real interest rates, commodity prices come down drastically (especially oil). This global environment of cheaper commodities, lower taxes, lower interest rates and less overall regulation made it easier for corporations to grow and gave increased confidence in the value of future cashflows. The surging economy was not all good news, as it was the Clinton years that really pushed the inequality gap further between those that have and those that do not. Corporate America essentially got financialised and the banks were ultimately in more control of where growth took place in the real economy. This would eventually lead to the asset bubble of 2007. There is no doubt that the surge in growth from 1992 – 1999 was in part debt based. De-regulation and lower interest rates would have made debt issuance attractive to corporations, with leveraged capital aiding the stock market growth and increased employment. According to the Wall St Journal, corporate bond issuance rose from $80 billion in 1994 to $585 billion by 2001.

In the 90's we can also see a strong synergy typically seen between oil and other economic commodities with gold. Gold and Silver have been used as hedges against negative real rates and inflation for centuries. In theory, many commodities experience the same lift in value as inflation raises its ugly head. Issue is, it is not easy to store vast inventories of oil, copper or corn. It also seems that the market as a whole reacts to inflation reduction over the rate of real interest, at least initially.

2000's – A Decade that Changed the World



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fed Funds Rate	6.24%	3.88%	1.67%	1.13%	1.35%	3.22%	4.97%	5.02%	1.92%	0.16%
10 Year Treasury	6.03%	5.02%	4.61%	4.01%	4.27%	4.29%	4.80%	4.63%	3.66%	3.26%
30 Year Treasury	5.94%	5.49%	5.43%				4.91%	4.84%	4.28%	4.08%
Inflation Rate (US)	3.39%	1.55%	2.38%	1.88%	3.26%	3.42%	2.54%	**4.08%**	0.09%	2.72%
Real Interest Rates	2.85%	2.33%	-0.71%	-0.75%	-1.91%	-0.20%	2.43%	0.94%	1.83%	-2.56%
Commodity Prices										
Dow Jones	**$16,201.36**	$14,992.96	$13,361.53	$12,699.36	$14,235.40	$14,027.06	$14,718.62	**$16,604.61**	$13,605.31	$10,751.64
Gold	$421.73	$398.65	$449.62	$513.00	$565.15	$591.84	$779.60	**$877.50**	**$1,055.57**	**$1,178.13**
Silver	$7.47	$6.42	$6.67	$6.88	$9.19	$9.72	$14.90	$16.86	$18.14	$17.75
Platinum	$822.07	$776.54	$782.99	$975.76	$1,167.25	$1,192.90	$1,473.70	$1,645.84	$1,900.96	$1,459.01
Copper	$1.27	$1.06	$1.03	$1.14	$1.77	$2.15	$3.93	$4.07	$3.76	$2.87
Crude Oil	**$45.87**	$38.19	$37.98	$43.82	$57.28	$75.33	$85.20	$91.15	$120.60	$74.96
Natural Gas	$6.51	$5.82	$4.90	$7.71	$8.13	$11.56	$8.68	$8.78	$10.72	$4.77
Wheat	$3.93	$4.03	$4.71	$4.74	$4.79	$4.27	$5.24	$8.06	$9.67	$6.45
Corn	$3.19	$3.09	$3.31	$3.29	$3.49	$2.81	$3.38	$4.74	$6.41	$4.54
Sugar	$0.12	$0.12	$0.09	$0.08	$0.10	$0.12	$0.18	$0.11	$0.15	$0.22

March 2001 is the date of the dot com bust. Market sentiment in the late 90's was indicating a crash and the NASDAQ was at record highs. Some stocks were trading at over 150 times (PE). Looking at the chart it seems the central banks had taken pro-active measures to position the US economy for the NASDAQ deflation as interest rates were jacked from just under 5% in 1999 to well over 6% in 2000. This was an attempt to curb rising inflation and deter further capital from entering the equities markets and this, as can be seen was achieved. Although the fed funds rate was rising and so was inflation, real interest rates stayed above 2% and this is why gold and silver were not inflated between 2000 and 2001 even though oil and platinum spiked.

This is a perfect example of how gold, although a commodity and strongly correlated to commodity markets most of the time is also seen as a monetary metal. Its price fluctuations are more correlated to real interest rates than independent movements in inflation or the fed funds rate. The spike in oil was due to middle eastern tensions, the rise of the Chinese economy and a devaluation of the US dollar, which is pegged to oil.

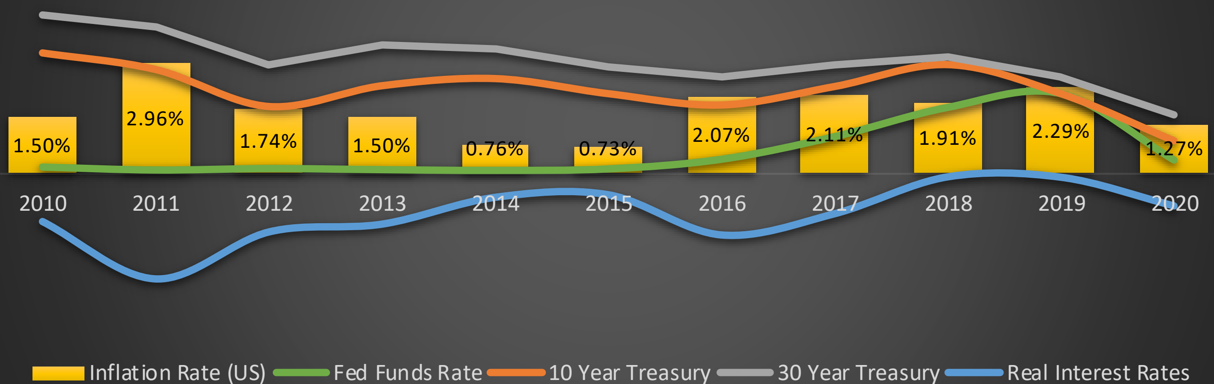
The real economic blow then came on 11th September 2001, as New York and the Pentagon were under siege via a terrorist attack. This caused the stock market to crash more severely than any time in history with many businesses being permanently destroyed. This and the collapse of Enron caused investor confidence to plummet and another crash in March 2002 took the index down to levels not seen since the late 90's when the Asian economic crisis hit. Other factors that heavily impacted economic growth was the rise of emerging markets, increasing the unemployment rate in the US and other Western Nations; Natural disasters such as Katrina and Rita and then in 2007, the now infamous housing crisis (Sub-Prime Mortgage bubble) where asset inflation was re-directed from unicorn dot.com companies into real estate. Essentially, due to Clinton's de-regulation of the fiscal sector, the standards were lowered on lending. Risk management was substituted for greed, and the adjustable rate mortgage was introduced with zero down payment. By September 2008, not just the US but the entire global economy was impacted. This was when the world realised how integrated economies had become. The banking sector especially had lost its way. Like a vast network of airports, where one plane takes off to land at a given airport, yet on entry the airport is no longer operating. Substitute planes for derivatives and the problem is simple to see.

Again, the chart gives us great clarity on how the various levers of the economy impact stocks, commodities and assets. We can see that from 2001, capital flows out of equities into bonds and other safe haven asset classes. Gold too is on the rise and

enters a bull market that lasts from 2001 to 2012, picking up in value from $398 an ounce to $1,885 an ounce. Platinum, Silver, Copper, Oil, Wheat, Corn and Sugar all start to rise and real interest rates fall to spur economic growth. The reason inflation could be manipulated is due to the fact interest rates were high enough where they could be lowered to increase monetary velocity.

The biggest impact though by far of this decade was the reduction in personal freedoms. Global travel and privacy were forever changed, and the word terror was used as a political hammer to achieve agendas that were simply off the table prior to the twin towers collapse.

2010 – 2020 - The Last Decade



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fed Funds Rate	0.18%	0.10%	0.14%	0.11%	0.09%	0.13%	0.39%	1.00%	1.79%	2.16%	0.37%
10 Year Treasury	3.22%	2.78%	1.80%	2.35%	2.54%	2.14%	1.84%	2.33%	2.91%	2.14%	0.89%
30 Year Treasury	4.25%	3.91%	2.92%	3.45%	3.34%	2.84%	2.60%	2.89%	3.11%	2.58%	1.55%
Inflation Rate (US)	1.50%	2.96%	1.74%	1.50%	0.76%	0.73%	2.07%	2.11%	1.91%	2.29%	1.27%
Real Interest Rates	-1.32%	-2.86%	-1.60%	-1.39%	-0.67%	-0.60%	-1.68%	-1.11%	-0.12%	-0.13%	-0.90%
Commodity Prices											
Dow Jones	$12,695.61	$13,870.78	$14,652.08	$16,810.66	$18,455.46	$19,345.73	$19,361.28	$23,055.21	$26,048.73	$26,907.14	$26,779.69
Gold	**$1,459.73**	**$1,824.87**	**$1,885.81**	$1,578.65	$1,392.67	$1,274.75	$1,352.07	$1,336.01	$1,319.69	$1,421.21	**$1,769.68**
Silver	$24.03	$40.74	$35.20	$26.64	$20.98	$17.23	$18.54	$18.09	$16.34	$16.54	$20.49
Platinum	$1,917.70	$1,994.07	$1,752.51	$1,662.90	$1,521.98	$1,155.67	$1,068.01	$1,007.52	$917.47	$885.40	$887.94
Copper	$4.08	$4.64	$4.08	$3.73	$3.41	$2.74	$2.38	$2.98	$3.05	$2.77	$2.77
Crude Oil	$95.01	**$110.06**	**$106.28**	$109.74	$102.49	$53.53	$46.75	$53.85	$67.84	$58.13	$39.37
Natural Gas	$5.20	$4.64	$3.11	$4.18	$4.81	$2.88	$2.72	$3.17	$3.28	$2.61	$2.00
Wheat	$6.99	$8.28	$8.52	$7.68	$6.48	$5.59	$4.74	$4.66	$5.17	$5.04	$5.47
Corn	$5.12	$7.88	$7.81	$6.36	$4.58	$4.16	$3.88	$3.83	$3.85	$3.93	$3.60
Sugar	$0.26	$0.31	$0.24	$0.19	$0.18	$0.14	$0.19	$0.16	$0.12	$0.12	$0.12

2010 witnessed the near peak of a commodity boom cycle that saw elevated gold, platinum, oil and gas with silver also about to take a front stage seat as a result of negative real rates. The fed funds rate continued to be manipulated lower to ease the money supply in hopes to restimulate economic growth. Low interest rates, low inflation and negative real rates help drive the price of commodities even higher into the first third of the past decade. As interest rates continue to be supressed by central banks, the bond market explodes. As yields continue to deflate, the principle component of the bond inflates. As the central banks continue to keep the debt-based economy from breaking, interest rates continue to fall, pushing the appetite for yield and in turn the bond market

to a bubble that only now, in 2021 will likely pop. The real difference over the last decade is where in the past, capital would flow from bonds to stocks or from stocks to commodities etc; we now have a distorted system where capital is flowing as much into bonds as it is into stocks, housing, bitcoin and gold.

From 2010 onwards, with the help of poor fiscal and monetary policy, the world is experiencing the everything bubble with only commodities being under-valued and under-priced. From 2013 onwards we see that commodity prices started to rapidly fall as the equities market and the bond market exploded as a result of low interest and low inflation expectation. The cause of this price drop was the US embarking on its own oil production, easing of geopolitical tensions and a slowing of overall demand from emerging markets. Over the past 8 years, the supply of commodities is running low as when prices plummet over 35%, the commerciality of mining becomes negative. This in turn means capital which typically would have flowed into exploration and development has instead been pumped into financial assets creating the bubbles we have today. The cycle is now once again beginning to turn. As global US creditors lose faith in the US fiscal capital markets, as perceived inflation starts to raise its ugly head and as the US dollar is losing value, commodities will once again surge. Over the next 5 years expect to see a huge rise in oil prices, copper, nickel, rare earths, fertilisers and precious metals. The demand from China for copper, iron ore and other commodities is not just because they are keen to build things. It is also driven by a feeling that tomorrow's prices will vastly exceed todays. Inflation expectation drives investment into tangible assets as fiscal assets lose value as they are essentially fiat money investments.